2019

ANNUAL REPORT AND ACCOUNTS

Enhancing quality of life and contributing to a healthier future.

Nestlé
Good Food, Good Life

Nestlé Nigeria Plc
(RC 6540)

Contents

Our Profile

Nestlé Nigeria – Nourishing Nigeria since 1961
Purpose: (1) Enhancing quality of life and contributing to a healthier future (2) Creating Shared Value (CSV)

ABOUT NESTLÉ NIGERIA PLC

Nestlé Nigeria is one of the largest food companies in Africa.

For over 58 years, the company has been delighting consumers across Nigeria by consistently delivering high quality nutritious food. With a staff strength of over 2,200 direct employees, 3 manufacturing sites, 7 branch offices and a head office located in Lagos, the company produces and markets several iconic brands including MAGGI®, MILO®, GOLDEN MORN™, NESCAFÉ® and NESTLÉ PURE LIFE®.

In view of Nestlé's purpose, which is, enhancing quality of life and contributing to a healthier future, the company contributes to society while ensuring the long-term success of its business, a principle called Creating Shared Value (CSV). By doing business this way, the company continues to enable positive outcomes for individuals and families, its communities and the environment in which it operates.

Our Products

Nestlé Nigeria manufactures and markets a range of high quality brands including MAGGI® Star, MAGGI® Chicken, MAGGI® Crayfish, MAGGI® Mix'py; MILO®; MILO® Energy Cubes®, MILO® Ready-to Drink, GOLDEN MORN™ Maize, GOLDEN MORN™ Puffs, Nestlé PURE LIFE®, NESCAFÉ®; CERELAC®, LACTOGEN®, SMA® and NAN®.

Our History

The company began trading operations in Nigeria in 1961 and was listed on the Nigerian Stock Exchange on April 20, 1979. In 1982, the first factory was commissioned in Agbara, Ogun State.

This site has since grown into a factory complex housing multiple plants including the MAGGI®, CERELAC®, GOLDEN MORN™, NESTLÉ PURE LIFE® and MILO® RTD Plants. Flowergate and Abaji factories were subsequently commissioned in 2011 and 2016 respectively.

Nestlé Nigeria continues to invest in the development of its people, in the innovation of new products to meet consumer needs and preferences and in new facilities to help achieve the organization's growth objectives.

From 2014 to 2019, Nestlé Nigeria spent over N57.4 billion on productive investment across its manufacturing operations and over N5 billion in creating shared value.

How we do business – Creating Shared Value

Creating Shared Value (CSV) is embedded in the way Nestlé does business. We work alongside partners and other stakeholders to create value for society while contributing to the success of our business.

Nestlé Nigeria Plc is a strong contributor towards the efforts to build a national business culture based on sustainable practices, which benefit all stakeholders. Beyond delivering tasty and nutritious products to consumers, we believe that the health of our company is linked with the health and resilience of the communities where we operate. We believe that our business will only be successful in the long term if we create value for society, a concept called Creating Shared Value (CSV).

In line with this, we help to improve livelihoods in the communities closest to our operations while also touching lives across our value chain. Our CSV focus areas include improving access to clean drinking water, a fundamental human need, and the economic empowerment of local farmers and processors. We also invest in activities that promote youth and women empowerment.

Our People:

A strong pillar of Nestlé Nigeria's continuous success is our people. We therefore continue to invest in keeping our 2,219 direct employees motivated to deliver their best performance. In the past 5 years, we have invested over N800mio (eight hundred million naira) on training and capacity building to develop and support our people to bring value to themselves and to the organization.

In 2019, we celebrated the first set of graduates of Nestlé Sales Academy, a partnership with the prestigious Lagos Business School. This is another addition to our people development initiatives.

Innovation at Nestlé

Our products are the focus of innovation and renovation to meet and exceed consumer expectations. We leverage our expertise in research and development to offer healthier products tailored to consumers' tastes and nutritional needs. New products introduced into the market in 2019 include MAGGI® Signature range of powdered seasoning and CERELAC® Junior fortified with iron and other micronutrients for pre-school children.

46,000
LOCAL FARMERS
empowered to improve grain quality in the last 3 years

About
80%
LOCAL SOURCING
of raw and packaging materials

Awards and Recognition

In 2019, Our Company was recognized among its peers in various capacities, some of the most notable include:

- Capital Market Correspondents Association of Nigeria (CAMCAN) Awards - Most profitable company (Consumer Goods Sector) on the Nigerian Stock Exchange
- Performance Earnings and Returns Leadership awards (PEARL) Awards – Sectoral Leadership Awards - Consumer Goods Category and Market Excellence Awards - Return on Equity
- International Chamber of Commerce – 20 years membership awards
- SERAS Awards – Best company in provision of water and sanitation
- Brandcom Awards 2019 - Best Seasoning brand of the year 2019 (MAGGI)
- Top 50 brands Nigeria - 2019 Top 50 brands in Nigeria awards

How we Create Shared Value for Individuals and families:

Nestlé brings to consumers, products that are of the highest quality, adapted to local cuisine.

Every day, we touch thousands of lives as we work towards the attainment of our commitment to make our portfolio even healthier and tastier while inspiring consumers to lead healthier lives. Nestlé reaches over 14,000 Nigerian families across its value chain, from the farmers who provide the agricultural input to the distributors and retailers who ensure availability and the individuals and families who enjoy the high-quality nutritious products every day.

By bringing together the expertise across our R&D resources, Nestlé is able to provide high quality, safe food solutions for consumers in Nigeria. The promise of our iconic brands including MAGGI® , MILO®, GOLDEN MORN™, NESCAFÉ®, CERELAC® and NESTLÉ PURE LIFE® is the assurance of the highest quality.

We dedicate ourselves to deeply understanding the needs and preferences of our consumers, and then we tailor our products to suit local nutrition needs, tastes and food cultures.

Food fortification remains a priority to help address the critical challenge of malnutrition, under-nutrition and high rate of micronutrient deficiency especially iron as this presents significant risks of anemia among the most vulnerable in our society, children and women within the child-bearing age. Today, over 80% of Nestlé products sold in Nigeria are fortified with micronutrients and made available to all pocket sizes through single serve packs, reaching 34 million households.

Since MAGGI® fortified with iron was developed and launched in Nigeria in 2011, Nestlé has fortified other products including CERELAC®, MILO® and GOLDEN MORN™ with special blends of multivitamins and minerals. NESTLÉ PURE LIFE® Protect is fortified with zinc.

Nutrition education across Nigeria

Nestlé provides customers and consumers with adequate information to make the right nutrition choices in order to nourish their families better. Over the years, we have promoted an inclusive healthy lifestyle which combines good nutrition and an active lifestyle.

Building on the impact of past years, we reached over 500,000 people with nutrition education in 2019 alone. We delivered these through various programs including Nestlé for Healthier Kids (N4HK), a global flagship school-based initiative which promotes healthy diets, adequate physical activity and good hygiene among the K12.

Supported by the Federal Ministry of Health, the Federal Ministry of Education and the Nutrition Society of Nigeria (NSN), NH4K reached 17,000 children and 350 teachers in primary schools in Ogun State and the FCT. The training and coaching are implemented in collaboration with Universal Basic Education Board (UBEB) in Ogun State, and the Federal Capital Territory.

MAGGI® Cooking Caravans and Compound Shows delivered nutrition education to over 500,000 people directly to help parents and caregivers make the informed decisions about their family cuisine. The MAGGI Pop-Up Kitchens introduced in 2018 empowered youth in tertiary institutions with nutrition information, healthy lifestyle tips, healthy meal planning and cooking demos on how to eat healthy on a budget.

Promoting healthy lifestyles and Grassroots Sports Development through MILO Basketball Championships and School Sports Development Program:

Nestlé has built a rich heritage of grassroots sports development in Nigeria through various programmes including the Milo Basketball Championship, which is in its 22nd year. Over 140,000 students from the 36 states of the federation participate in the MILO Basketball Championship annually. Nestlé works with the Nigeria School Sports Federation (NSSF) an arm of the Ministry of Education and the National Collegiate Sports Foundation (NCSF) who have been partners of the program since its inception. The games promote a healthy active lifestyle among the youth.

MILO School Sports development program delivered education on healthy lifestyles and healthy nutrition to over 1.5 mio children in primary schools across Nigeria in 2019 alone.

How we Create Shared Value for communities

Nestlé Nigeria's impact on communities where the company operates is multi-faceted.

Locating Nestlé's world-class factories and facilities in rural areas is a deliberate strategy to attract further investments and galvanize industrialization by creating employment and skills development opportunities for those who live closest to the factories. We take a step further by investing in activities and programs that promote economic and social empowerment, thereby creating shared value for the benefit of our business and our communities.

> " The quality of nutrition received in the formative years has a great impact on the future health of individuals.
>
> These programs are an avenue to educate and inspire the youth to make the right nutrition choices to ensure healthier and happier lives in the future. "
>
> **Mauricio Alarcon, MD/CEO, Nestlé Nigeria**

One of the ways we do this is by ensuring responsible local sourcing of raw materials. We have worked on local sourcing of raw materials since 2011 and today, about 80% of the agricultural input and packaging materials come from local farmers and suppliers.

We work alongside partners to build the capacity of the over 46,000 farmers who supply maize, soybean, sorghum and millet to our factories in sustainable farming practices thereby increasing productivity and improving crop quality. By doing this, we contribute towards improving the income of farmers in our communities.

By purchasing directly from small-scale suppliers and aggregators, we not only seek to protect the supply and quality of our raw materials, but also to have a positive, long-term impact on the local economy and standards of living of rural communities.

Thanks to the investments we have made towards increasing local sourcing since 2011, 80% of the agricultural input and packaging materials in our production today, is supplied by local farmers, processors and manufacturers. 100% of the corn used in GOLDEN MORN™ Cereal, soya used in GOLDEN MORN™ Cereal and MAGGI® as well as the sorghum in MILO® is supplied by Nigerian smallholder farmers.

In addition to providing a steady source of income for local farmers by sourcing raw materials locally, we help improve their capabilities through training and mentorship programs like the Cereal Plan, Cassava Plan and the Grain Quality Improvement Program. Farmers are trained in partnership with organisations including 2Scale, IDH, International Fertilizer Development Centre (IFDC), Volunteers for Economic Growth Alliance (VEGA) and United States Agency for International Development (USAID) on good farming practices to not only increase productivity but to also improve the quality of the grains to meet global standards. Over 50,000 farmers were empowered through these initiatives from 2017 to 2019.

Youth Development

In support of Nigeria's drive towards youth capacity building, Nestlé Nigeria is engaged in several activities including technical training, grassroots sports development and youth entrepreneurship development.

Nestlé inaugurated a state-of-the-art Technical Training Centre (TTC) at the Agbara factory in 2011 and started a second center in 2017 at the Nestlé Waters Factory in Abaji, FCT Abuja.

The Centers offer an 18-month multi skilled, vocational training in machining, mechanical fitting operations, electrical operations, instrumentation operations and automation culminating in the certification examination of the prestigious London City and Guilds Technician certificate. The five best students from each batch participate in an additional three-month technical training in Switzerland supported by the Swiss Embassy.

This program has benefited over 80 students so far, about 80% of them employed by Nestlé directly.

Nestlé Nigeria remains committed to improving **Access to Water and Sanitation** in the communities closest to its factories. In line with this commitment, the company continues to build upon the existing drinking water facilities, which already served over 14,000 people living in the communities closest to our business operations. In 2018, the company built seven new water facilities, and commissioned four more in 2019 to increase access to clean, safe water.

How we make impact on the environment - Planet

At Nestlé, we recognize the growing challenge and the collective responsibility to manage the world's resources for future generations. We are therefore continuously increasing our water recycling initiatives and promoting the safe reuse of wastewater. We are also striving to reduce our environmental footprints by decreasing water consumption and gas emissions. By 2018, we had reduced our water consumption by 11% and our gas emission by 7%.

In April 2018, the company announced its ambition to make 100% of its packaging recyclable or re-usable by 2025. In 2019, Nestlé made progress towards fulfilling this commitment with a strong focus on ensuring that none of our post packaging waste should end up in landfills or as litter in the environment, in the seas, oceans and waterways. Nestlé believes that there is an urgent need to minimize the impact of packaging on the environment and continues to collaborate with external and industry partners to play an active role in the development of sustainable collection, sorting and recycling systems across the countries where it operates.

Nestlé Nigeria is a founding member and works alongside other industry partners in the Food and Beverage Recycling Alliance (FBRA) to find creative solutions to managing plastic waste while preventing leakage into the ocean.

80 over 80 students have benefited so far from the Program

Nestlé provides water for more than **14,000** in rural communities

Nestlé Program would generate **40** entrepreneurship development program

In addition to this, Nestlé Nigeria carried out multiple activities in 2019 to accelerate the process of recovering and recycling post-consumption plastic packaging waste in Lagos State. We signed an MOU with Wecyclers, a social enterprise that helps households in low-income communities capture value from their waste, to extend plastics waste recovery systems to more communities through the establishment of collection points across 5 additional communities. The project will also help to create 40 direct jobs for collection point operators and sorters, while empowering an additional 15,000 households.

Through Nestlé Cares staff volunteer program, Nestlé staff carried out waste removal and sorting activities along the coastlines, within communities and neighbourhood markets, removing over 21,000 kg of plastics from the environment. In the words of the Managing Director/CEO, Mr. Mauricio Alarcon, "At Nestlé, we are passionate about protecting the environment where we work and act to protect and improve it, as we know that there is no better place to start than from within our own Company.

Through clean up initiatives and other activities, we aim to play an active role in changing behavior and raising public awareness about reducing plastic waste and recycling more."

The Company is part of Nestlé Group, the world's largest food and Beverage Company renowned for its high-quality products for over 150 years.

" At Nestlé, we are passionate about protecting the environment where we work and act to protect and improve it, as we know that there is no better place to start than from within our own Company.

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Mauricio Alarcon, MD/CEO, Nestlé Nigeria

About Nestlé Worldwide:

Nestlé is the world's largest food and beverage company with footprints in over 190 countries. Headquartered in Switzerland, Nestlé employs over 335,000 people worldwide. For over 150 years, the company has provided safe, high-quality nutrition through over 2,000 brands ranging from global icons to local favourites.

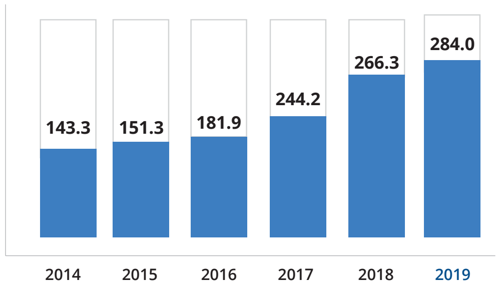
Our purpose is enhancing quality of life and contributing to a healthier future. In line with this purpose, we want to help shape a better and healthier world while inspiring people to live healthier lives. This is how we contribute to society while ensuring the long-term success of our company.

We have defined three overarching ambitions for 2030, which guide our work and support the achievement of the UN Sustainable Development Goals: to help 50 million children live healthier lives, help improve 30 million livelihoods in communities directly connected to our business activities and strive for zero environmental impact in our operations.

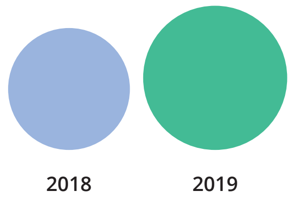
Our values are founded on respect and this is reflected in the way we do business: always acting legally and honestly with respect both for our own people and for those we do business with. We strongly believe that it is only possible to create long-term sustainable value for our shareholders if we also create value for the communities where we operate. This is what drives our dedication to providing trusted, great tasting, healthier and trusted products.

Performance Indicators

Turnover (NGN billion)



Turnover Development

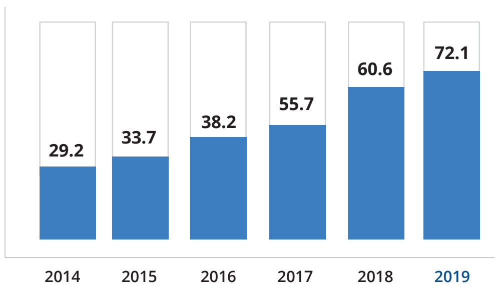


7%
Turnover growth from 2018 to 2019

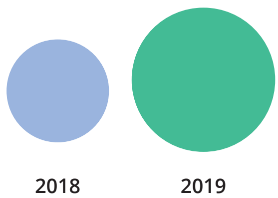
98%
Turnover growth over the last five years

- All Segments and Businesses with strong turnover development

Operating Profit (NGN billion)



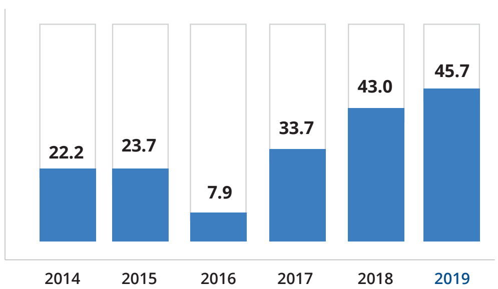
Operating Profit Development



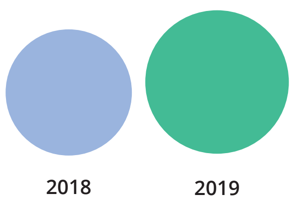
19%
19% increase in Operating profit between 2018 and 2019 despite cost pressures

147%
Operating Profit growth of 147% over the last five years

Profit After Tax (NGN billion)



Profit After Tax Development

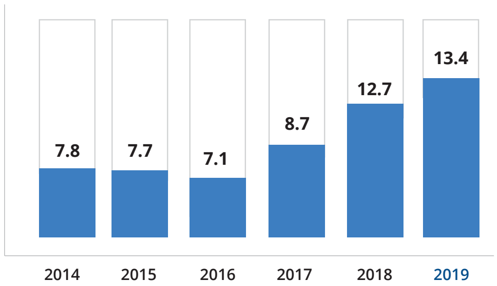


6%
6% increase in Profit After Tax between 2018 and 2019

105%
Profit After Tax growth of 105% over the last five years

Performance Indicators

Investments (NGN billion)



Investment

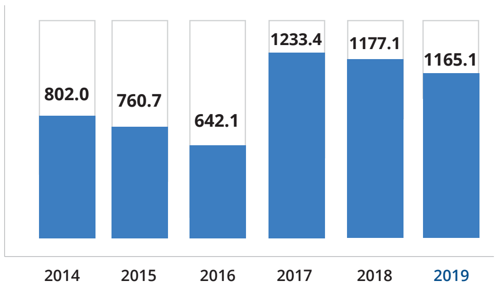
N13.4Billion

Investments of NGN13.4Bn in year 2019

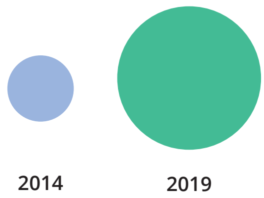
N49.6Billion

Investments of NGN49.6Bn during the last five years

Market Capitalization (NGN billion)



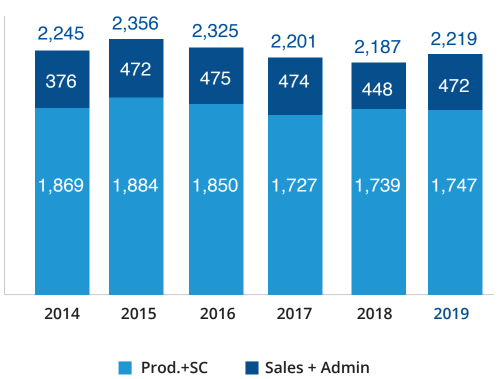
Market Capitalization Development



45%

Growth of Market Capitalization of 45% from 2014 to 2019

Staff Development (NGN billion)



Staff Development

2,219

Total staff strength of 2,219 at the end of 2019

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of Nestlé Nigeria Plc will be held at its Head Office, 22-24 Industrial Avenue, Ilupeju, Lagos, on Tuesday, 30 June 2020 at 11 o'clock in the forenoon for the following purposes:

ORDINARY BUSINESS

1. To lay before the meeting the Report of the Directors, the Financial Statements for the year ended 31 December 2019 and the Reports of the Auditors and the Audit Committee thereon

2. To declare a Dividend

3. To elect / re-elect Directors

4. To appoint a new Independent Auditor to replace the retiring Deloitte & Touche. Notice is hereby given that the proposed Independent Auditor to be appointed is Ernst & Young

5. To authorize the Directors to fix the remuneration of the Auditor

6. To elect the members of the Audit Committee

SPECIAL BUSINESS

7. To fix the remuneration of Directors

8. To consider and pass the following resolution as an ordinary resolution of the Company:

"That the general mandate given to the Company to enter into transactions with related parties for the Company's day-to-day operations, including the procurement of goods and services, on normal commercial terms in compliance with the NSE Rules Governing Transactions with Related Parties or Interested Persons, be and is hereby renewed."

NOTES

(a) PROXY: In view of COVID-19 pandemic, the restriction on mass gatherings and in line with the Guidelines issued by the Corporate Affairs Commission on holding AGMs using proxies, attendance at the AGM shall only be by proxy. Consequently, a member entitled to attend and vote at the AGM is advised to select from the underlisted proposed proxies to attend and vote in his stead.

a) Mr. David Ifezulike
b) Mr. Matthew Akinlade
c) Mr. Christopher Nwaguru
d) Alhaji Kazeem Owonikoko Bello
e) Mr. Nornah Awoh
f) Mr. Mauricio Alarcon
g) Sir. Sunny Nwosu
h) Mr. Gbenga Oyebode

A proxy form is attached to the Annual Report.

All instruments of proxy must be deposited at the office of the Company's Registrars, Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P.M.B. 12717, Lagos or via E-mail: info@gtlregistrars.com not later than 48 hours before the time of the meeting. The Company has made arrangements to bear the cost of stamp duties on the instruments of proxy.

(b) DIVIDEND PAYMENT AND CLOSURE OF REGISTER OF MEMBERS: If the dividend recommended by the Directors is approved, dividend will be paid on Thursday, 2 July 2020 to shareholders whose names are registered in the Company's Register of Members at the close of business on Friday, 15 May 2020. Notice is therefore hereby given that the Register of Members and Transfer Books of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both dates inclusive, to enable the preparation and payment of dividend.

(c) NOMINATIONS FOR THE AUDIT COMMITTEE: The Audit Committee consists of 3 Shareholders and 3 Directors. In accordance with Section 359 (5) of the Companies and Allied Matters Act, CAP C.20, LFN 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving in writing, notice of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

(d) UNCLAIMED DIVIDEND: Several dividend warrants remain unclaimed or are yet to be presented for payment or returned to the Registrars for revalidation. A list of such members will be circulated with the Annual Report and Financial Statement. Members affected are advised to complete the e-dividend registration or write to or call at the office of the Company's Registrars, Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos during normal working hours.

(e) E-DIVIDEND/E-BONUS: Notice is hereby given to all shareholders to open bank accounts, stock broking accounts and CSCS accounts for the purpose of dividend/bonus. A detachable application form for e-dividend and e-bonus is attached to this Annual Report to enable all shareholders furnish particulars of their accounts to the Registrars (Greenwich Registrars & Data Solutions Limited) as soon as possible.

We request our shareholders to use the e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing through the new E-Dividend Mandate Management System jointly introduced by the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria Inter-Bank Settlement Systems PLC and the Institute of Capital Market Registrars. The letter from Greenwich Registrars & Data Solutions Limited explaining the new initiative is included in the Annual Report and Accounts.

(f) RIGHTS OF SECURITIES HOLDERS TO ASK QUESTIONS: Securities holders have a right to ask questions not only at the meeting, but also in writing prior to the Meeting, and such questions should be addressed to the Company Secretary and submitted to the registered office of the Company at least a week before the meeting.

(g) ELECTRONIC ANNUAL REPORT: The soft copy of the 2019 Annual Report is on our website and sent to our shareholders who have provided their email addresses to the Registrars. Shareholders who are interested in receiving the soft copy of the 2019 Annual Report should request via email to: info@gtlregistrars.com

Dated 28 February 2020
By Order of the Board

Bode Ayeku, FCIS
Company Secretary / Legal Adviser
FRC/2012/NBA/00000000637

Registered Office
22-24 Industrial
Avenue,Ilupeju,
Lagos

Chairman's Statement

at the 51st Annual General Meeting of Nestlé Nigeria Plc
on 30 June 2020

Shareholders, Board Members, ladies and gentlemen of the press, welcome to the 51st Annual General Meeting of Nestlé Nigeria Plc.

We are happy with the progress our company has made over the past five (5) decades, retaining the trust and loyalty of customers and consumers by providing high quality, affordable nutritious food products to meet the nutritional needs of families across Nigeria. This is no mean feat in view of the rapidly changing and challenging business environment.

At this 51st AGM, I would like to highlight a few things, but first a quick review of the environment in which our company operated in 2019.

Business Environment

2019 was challenging for businesses, being an election year replete with political uncertainties. Plans and forecasts were rendered obsolete at the speed of economic and fiscal policy changes. Consumers were impacted by rising inflation and significant reduction in disposable income.

GDP growth remained stable averaging 2.3% by the fourth quarter, against 1.9% throughout 2018. At the same time, inflation was relatively high at 11.3%.

The continued gridlock at the Apapa Port terminal increased industry operational expenses considerably while companies continued to grapple with inadequacies in power supply, low budget implementation and poor transport infrastructure.

Financial Results

We are pleased that in 2019, our company sustained its market leadership and continued to grow despite the tough business environment. Nestlé Nigeria PLC recorded a 19% increase in profit after tax over the 2018 performance. We acknowledge the astute leadership of the management and the professionalism of our high performing team for this impressive performance.

More highlights of our operating results are on page 32 of this Annual Report and Accounts. The highlights can also be accessed on our investor website at http://www.nestle-cwa.com/en/investors/nigeria

Dividend

In line with our commitment to making shareholders the ultimate beneficiaries of our business growth, we continue to increase dividends. The Board therefore recommends for the consideration and approval of shareholders at this meeting, a total dividend of N45.00 per ordinary share.

If the recommendation is approved, payment will be made on 2 July 2020, subject to the deduction of withholding tax at the applicable rate.

Marketing, Sales and Product Performance

Each of our brands reaffirmed its market leadership in 2019. Our efforts focused on developing new products adapted to current market realities and on the expansion of our routes to market to drive adoption and increase penetration supported by our loyal distribution network.

This ensured access to affordable nutrition for more households across Nigeria.

Employees

In 2019, we continued to empower our people to deliver outstanding results for themselves, for the organisation and for society, through new training and coaching programs. One of the outcomes is the graduation of the first set of participants in Nestlé's Sales Academy, a program delivered in partnership with the Lagos Business School. Our staff strength stood at 2,219 as at 31 December 2019.

Creating Shared Value (CSV)

In line with Nestlé's purpose, which is, enhancing quality of life and contributing to a healthier future, the company contributes to society while ensuring the long-term success of its business, a principle called Creating Shared Value (CSV). By doing business this way, our company continues to enable positive outcomes for individuals and families, its communities and the environment in which it operates.

Nestlé Nigeria's CSV efforts in 2019 focused on individuals and families, communities and the environment. In addition to reaching over 34 million of the 40 million households in Nigeria with micronutrient fortified products in 2019, we made progress towards improving livelihoods in communities and for stakeholders across our value chain. We provided access to clean drinking water for over 13,300 people with 6 additional boreholes commissioned.

Over 1.7 million children in primary and secondary schools across Nigeria were reached with nutrition and lifestyle education through Nestlé for Healthier Kids(N4HK), MILO Basketball Championship and MILO School Sports Development Program.

To help improve household incomes of smallholder farmers who supply the grains and legumes to our factories, we consolidated our efforts around farmer capacity building and grain quality improvement through Feed the Future Nigeria and Nestlé Maize Quality Improvement Partnership (M-QIP), reaching over 50,000 smallholder farmers.

In addition to these, we consolidated investments in the Nestlé Technical Training Centres (NTTC), increasing the number of students trained with the opening of the second NTTC in Abaji supported by the Industrial Training Fund and Nigeria Employers' Consultative Association(NECA). Our company employed 90% of the 32 graduates of the NTTCs in 2019.

Outlook for 2020

The year ahead is predicted to be a challenging year. According to the IMF, real GDP growth is projected to be at 2% in 2020.

The Corona Virus crisis and the potential impact on oil prices could weaken the demand for Nigeria's oil exports while a prolonged closure of the borders continues to impact on trade within the sub region resulting in rising prices of goods and commodities.

There will be increased pressure on disposable income as the increase of VAT from 5% to 7.5% erodes the impact of the increase in minimum wage.

However, we remain confident in the professionalism and resilience of our people to deliver strong results as we continue delighting consumers with our high-quality tasty nutrition solutions.

Dear shareholders, thank you for your trust and your valued support of our company which gives us the impetus to keep steering our business in the right direction.

Thank you, dear Shareholders, Ladies and Gentlemen.

Mr. David Ifezulike
Chairman

Board of Directors of Nestlé Nigeria

1. Mr. David Ifezulike (Nigerian) is the non-executive Chairman of the Board of Directors of Nestlé Nigeria Plc. He holds a Master of Science degree in Management Science and a Diploma of Imperial College.

He joined Nestlé in 1980 and worked for over 26 years in various capacities and locations including Nigeria, Malaysia, Zimbabwe, Switzerland and Ghana. Mr Ifezulike was on an international exchange programme as the Factory Manager of Nestlé Ghana between May 1999 and April, 2003. He retired from Nestlé Nigeria Plc as the Executive Director, Industrial Development in October 2006.

He was appointed to the Board of Directors of Nestlé Nigeria Plc on 22 December 2000, and appointed the Chairman with effect from 10 May 2013.

2. Mr. Mauricio Alarcon (Mexican) is the Managing Director / Chief Executive Officer of the Company. Mr. Mauricio Alarcon is an Engineer and a Member of the Nigerian Institute of Management.

He joined Nestlé Mexico in 1999. Following a number of Sales and Marketing assignments in the Ice Cream business, including Marketing Advisor at the Ice Cream Strategic Business Unit, he was appointed as the Marketing Manager for the Ice Cream business in Australia. In 2010, he joined Nestlé Egypt as Business Executive Manager, Ice Cream where his dynamism played a key role in transforming the business. Under his leadership, the Ice Cream business turnover in Nestlé Egypt more than doubled and the profitability improved in a challenging environment.

He was the Managing Director of Nestlé Côte d'Ivoire from 2014 to September 2016 before his current appointment on 1 October 2016 as the Managing Director / Chief Executive of the Company.

3. Mr. Jagdish Kumar Singla (Indian) is the Finance and Control Director in the Company. He joined Nestlé India 1990 and served in various roles at the Moga Factory and in Management Accounting at the Head Office, before moving to China in 1997 as Factory Controller, Shuangcheng. Subsequently, he took over the responsibility of Business Controller – Milks and Nutrition for Greater China Region.

He went back to India in 2004 as Controller of Moga Factory. In 2008, he was appointed the Head of Internal Audit for South Asia Region.

He was the Director Finance and Control of Nestle Lanka PLC from October 2014 to December 2017. He was appointed to the Board with effect from 1 January 2018.

4. Mr. Remy Ejel (French) He was appointed a non-executive director of Nestlé Nigeria Plc with effect from 1 July 2018. He holds a Bachelor of Science degree from the American University of Lebanon, specialising in Marketing and Business Administration.

He is the Market Head of Nestlé Central and West Africa Region. He earlier worked in the Region from 2002 to 2005 leading the Diary category, and then working as Commercial Manager for Mali, Burkina Faso, Niger, Togo and Benin.

He later worked as Assistant Regional

Manager in the Zone, supporting all African countries for four years. Mr. Ejel's other experience includes assignments as Country Manager in Omar and Saudi Arabia, and as Business Executive Manager, Confectionery for Nestlé Middle East.

5. Mr. Ricardo Chavez (Mexican) is a non-executive director and the Head of Finance and Control of Nestlé CWA Region comprising 22 countries. Ricardo joined Nestlé Mexico in 1992 and spent many years as international auditor and Market Audit Manager in Thailand and Indonesia. In 2002, he was appointed the Supply Chain Controller before moving back to Nestlé Group Audit as Manager.

In 2010, Ricardo was promoted to the position of Head of Finance and Control of Nestlé Equatorial African Region comprising 21 countries. In 2014, he was appointed the Head of Finance and Control Food & Beverage Division of Nestlé Greater China Region before his current appointment as the Head of Finance and Control of Nestlé CWA Region on 1 February 2017.

He was appointed to the Board on 1 February 2017.

6. Mr. Gbenga Oyebode (MFR) (Nigerian) is an independent non-executive director of the Company. He qualified as a Solicitor and Advocate of the Supreme Court of Nigeria in 1980. He holds a Master of Laws degree and is the Managing Partner of Aluko & Oyebode & Co. He is a Fellow of the Chartered Institute of Arbitrators (UK) and the Nigerian Leadership Initiative.

He is the Chairman of Okomu Oil Palm Plc and CFAO Nigeria Plc.

He is on the Africa Advisory Committee of the Johannesburg Stock Exchange. He was appointed to the Board on 24 February 2014.

7. Mrs. Juliet Ehimuan (Nigerian) is an independent non-executive director of the Company. She is the current Country Director for Google in Nigeria. She cumulates about 25 years of professional work experience.

She started her career in 1995 and has worked for several companies in Nigeria and abroad such as Shell Petroleum and Microsoft United Kingdom in 2005.

She started a firm called Strategic Insight Consulting Limited and later became the General Manager of Chams Plc's Strategic Business Units. In April 2011, she was appointed Google's Country Manager for Nigeria. Mrs. Ehimuan holds a degree in Computer Engineering from the Obafemi Awolowo University; Postgraduate Diploma in Computer Science, University of Cambridge in United Kingdom and MBA from London Business School. She is a Fellow of the Cambridge Commonwealth Society.

Her contributions to technology and entrepreneurship have won her several awards and recognitions. She is a recipient of the London Business School Global Women's Scholarship. While at the University of Cambridge, she received two scholarly awards – Selwyn College Scholar and Malaysian Commonwealth Scholar. She won the "IT Personality of the Year" award by the Nigeria Computer Society in 2012 and Marketing World Awards in 2016.

She was appointed to the Board on 24 February 2020.

8. Mr. Bode Ayeku (Nigerian) is the Company Secretary / Legal Adviser of the Company. He qualified as a Solicitor and Advocate of the Supreme Court of Nigeria in 1992 and holds a Master of Laws degree.

He joined the Company in October 2005 as the Deputy Company Secretary. He is a Fellow and President of the Institute of Chartered Secretaries and Administrators of Nigeria. He is a Fellow of the Nigerian Institute of Management and an Associate Member of both the Chartered Institute of Taxation of Nigeria and Chartered Institute of Stockbrokers.

He is a member of the Governing Council of the Nigeria Employers' Consultative Association (NECA) and the Chairman of the Committee of Legal Advisers and Company Secretaries of NECA.

Corporate Governance Report 2019

Corporate Governance Report 2019

Background

The priority of Nestlé Nigeria Plc (hereinafter "Nestlé" or "the Company") is to achieve profitable long-term growth. Nestlé has policies and practices that align management of the Company with the interests of our shareholders.

This brings about a beneficial relationship in the long term. Nestlé believes that good Corporate Governance is a critical factor in achieving business success. The Board is fully aware of its responsibilities to shareholders and works to achieve the implementation of good Corporate Governance. The Board has put in place mechanisms that assist it to review, on a regular basis, the operations of the Company to ensure that our business is conducted in accordance with good Corporate Governance and global best practices.

Some of the noteworthy aspects of our corporate governance policies include:

Nestlé Corporate Governance Principles

Nestlé has since its commencement of business:

- built consumers' trust through the quality and safety of its products;
- continued to respect social, political and cultural traditions;
- taken a long-term approach to strategic decision making, which recognizes the interests of its shareholders, consumers, employees, distributors, business partners, industrial suppliers and the society.

The Nestlé Group's commitment to sound Corporate Governance goes back to its very early days. Nestlé published for the first time, in September 2000, its Corporate Governance Principles. Today, these are incorporated in the Nestlé global Management Report. Nestlé has complied with these principles even before the introduction of a code of corporate governance in Nigeria.

Local Legislations and International Recommendations

- Nestlé complies with all applicable laws and regulations;
- Nestlé ensures that the highest standards of conduct are met throughout the organization by complying in a responsible way with the Nestlé Corporate Business Principles, which guide Company activities and relationships worldwide in each sector of business interests;
- Nestlé is aware that increasingly, globalization has been leading the development of more international recommendations. Although, as a rule, these recommendations are addressed to governments, in the long run, they have an impact on business practices. Nestlé takes such recommendations into account in its policies;
- Nestlé endorses commitments and recommendations for voluntary self-regulation issued by competent sectoral organizations, provided they have been developed in full consultation with the parties concerned; these include the ICC Business Charter for Sustainable Development (1991), the OECD Guidelines for Multinational Enterprises (1976) and the OECD Principles of Corporate Governance (1999).
- Nestlé ensures strict compliance with the Companies and Allied Matters Act particularly by:
    - keeping proper accounting records
    - ensuring adequate internal control procedures
    - following all applicable accounting standards
    - consistently applying suitable accounting policies and the going concern basis.
- Nestlé ensures that all taxes are promptly and regularly remitted to the three tiers of government: federal, state and local authorities.
- Nestlé complies with the mandatory provisions of the Code of Corporate Governance in Nigeria issued in 2011 by the Securities and Exchange Commission during the year under review. Also, Nestlé has in place structures and mechanisms to enhance internal control while the effectiveness of measures for achieving operational and compliance control is constantly reviewed.

The Principles

They cover four areas:

1. The rights and responsibilities of shareholders
2. The equitable treatment of shareholders
3. The duties and responsibilities of the Board of Directors
4. Disclosure and transparency

We live up to the above principles especially through our information policy.

Information Policy

Shareholder Relations- Guiding Principles

Nestlé is committed to managing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and prospects of Nestlé is in line with management's understanding of the actual situation at Nestlé.

The guiding principles of this policy, as it relates to shareholders, are that Nestlé gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as full, simple, transparent, engaging and consistent as possible.

Methodology

The Nestlé communication strategy makes use of traditional and modern communication tools.

Printed material

Nestlé produces a highly detailed Annual Report and Financial Statements, which provides insight about the business and its financial results, according to relevant international and local standards and regulations.

The document also outlines and discusses the latest social initiatives of Nestlé resulting from its commitment to the highest levels of corporate citizenship. Nestlé publishes its full-year and quarterly results. Press releases are issued on activities of the Company as and when necessary.

Future Relations with Shareholders

We are committed to sustaining the very good relations our Company has with its shareholders through well-established cycles of communication based on the Company's financial reporting calendar. The Company will continue to ensure that its shareholder communications, relations and policies are appropriate to the needs of shareholders.

The Annual General Meeting is an important forum for the Company to meet with shareholders and it is always well attended. The Board encourages all shareholders to attend and participate so that the Company can continue to benefit from their useful advice.

Communication with Stakeholders

Information on the performance of the Company and other major corporate information are available to the stakeholders in particular and the public in general at the website of the Company - www.nestle-cwa.com/en/investors/nigeria This website contains our Annual Report and quarterly Financial Statements.

Transparency in Financial Reporting and Internal Control

Nestlé produces a comprehensive Annual Report and Financial Statements in compliance with the Companies and Allied Matters Act.

We put in place adequate internal control procedures and ensure that the document reviews the business and provides detailed audited financial statements, according to relevant accounting standards and regulations.

Board of Directors

The Board of Directors is the ultimate governing body of Nestlé. The Board is made up of three (3) non-executive directors including the Chairman, two (2) independent non-executive directors and two (2) executive directors. The names of all the directors are stated on page 31 of this Annual Report. The non-executive directors are independent of management and able to carry out their oversight functions in an objective and effective manner. The position of the Chairman and that of the Managing Director are occupied by different persons. All the directors have access to the advice and services of the Company Secretary.

The Board consists of reputable persons of diverse skills and experience in various areas of human endeavor. Members of the Board are selected based on integrity, knowledge, leadership qualities, reputation, competence, sense of accountability and high commitment to the task of good corporate governance.

The Board is responsible for the overall supervision of the Company and takes appropriate action to protect the interest of the shareholders and other stakeholders. It is responsible for the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions; the determination of the Company's organization; compliance by the Company with the law, the Memorandum and Articles of Association, Board Regulations and instructions; any significant policy issue dealing with the Company's general structure or with financial, commercial and industrial policy, etc. The Board meets as often as necessary and on notice by the Chairman.

The following are the specific issues reserved for the Board:

- Succession planning and approval of top executive appointments
- Appointment and composition of the Board and its Committees with their terms of reference
- Approval of the strategic plans and budget of the Company Integrity of financial controls and reports

- Review and approval of risk management policies and internal controls
- The determination of accounting and financial control principles, as well as principles of financial planning
- Approval of interim and annual accounts
- Appropriation and distribution of profits
- Acquisitions, disposals, mergers and joint ventures
- Approval of the remuneration of executive directors
- The appointment and removal of the Chairman and the members of any committee
- Corporate governance principles and compliance with the applicable code

The Board has delegated to Management the day-to-day management of the business and the Chief Executive Officer is answerable to the Board.

List of Board Members and attendance at meetings					
	Date of Meeting				
Name	4 March, 2019	28 May, 2019	26 July, 2019	29 October, 2019	Total
Mr. David Ifezulike	✓	✓	✓	✓	4
Mr. Mauricio Alarcon	✓	✓	✓	✓	4
Mr. Jagdish Singla	✓	✓	✓	✓	4
Mr. Remy Ejel	AWA	✓	✓	✓	3
Mr. Ricardo Chavez	✓	✓	✓	✓	4
Mr. Gbenga Oyebode	✓	✓	✓	✓	4
Mrs. Ndidi Nwuneli	✓	✓	✓	AR	3

✓ Present AWA Absent with apologies AR Already resigned

Board Appointment, Induction and Training Processes

The appointment of a new Director of the Company commences after the declaration of a vacancy by the Board. It is the responsibility of the Board to determine the required knowledge, skills, experience and competence to be possessed by the potential candidates. Thereafter, the curriculum vitae of candidates satisfying the requirements would be sourced and forwarded to the Nomination, Governance and Remuneration Committee for scrutiny, discreet validation of character and informal interaction with the candidates.

If the Nomination, Governance and Remuneration Committee is satisfied with the information obtained, the suitable candidate would be recommended to the Board for appointment as a Director of the Company. If the recommended candidate is approved by the Board, it would be presented to the shareholders for election at the next Annual General Meeting.

A newly appointed Director of the Company is required to undergo an induction process in order to know the Company, business and duties better. Important corporate documents on the profile, history,values, members of the Board and top management, business principles, production facilities, projects, Creating Shared Value initiatives are made available to new Directors.

The Directors of the Company participate periodically and where required, at its expense, in relevant continuing education programmes in order to update their knowledge and skills and keep them informed of new developments in the company's business, regulatory and operating environments. The objective of the training, when needed, is to assist them to fully and effectively discharge their duties to the Company.

Evaluation Process and Summary of Evaluation Results

The Board has established a system to undertake a formal and rigorous annual evaluation of its performance, that of its Committees, the Chairman and individual directors.

The Board designed questionnaire for evaluation on areas such as the ability of the Board to fulfil its general supervisory roles, preparation of members for meetings, participation at meetings, quality of proposals made by members at meetings, performance of each committee, etc.

The questionnaire for evaluation for the period ended 31 December 2019 was completed by members online and the summary of results compiled electronically.

Based on the results of the evaluation, the Board, its committees and each individual director recorded very good performance.

Directors standing for re-election and their biographical details

The following directors will retire at the next Annual General Meeting, and being eligible, offer themselves for re-election:

a) Mrs. Juliet Ehimuan as an independent non-executive director. She is the current Country Director for Google in Nigeria. She cumulates about 25 years of professional work experience. She started her career in 1995 and has worked for several companies in Nigeria and abroad such as Shell Petroleum and Microsoft United Kingdom in 2005. She started a firm called Strategic Insight Consulting Limited and later became the General Manager of Chams Plc's Strategic Business Units. In April 2011, she was appointed Google's Country Manager for Nigeria. She holds a degree in Computer Engineering from the Obafemi Awolowo University; Postgraduate Diploma in Computer Science, University of Cambridge in United Kingdom and MBA from London Business School.

She is a Fellow of the Cambridge Commonwealth Society. Her contributions to technology and entrepreneurship have won her several awards and recognitions. She is a recipient of the London Business School Global Women's Scholarship. While at the University of Cambridge, she received two scholarly awards – Selwyn College Scholar and Malaysian Commonwealth Scholar. She won the "IT Personality of the Year" award by the Nigeria Computer Society in 2012 and Marketing World Awards in 2016.

b) Mr. Ricardo Chavez (Mexican) is a non-executive director and the Head of Finance and Control of Nestlé CWA Region comprising 22 countries. Ricardo joined Nestlé Mexico in 1992 and spent many years as international auditor and Market Audit Manager in Thailand and Indonesia. In 2002, he was appointed the Supply Chain Controller before moving back to Nestlé Group Audit as Manager.

In 2010, Ricardo was promoted to the position of Head of Finance and Control of Nestlé Equatorial African Region comprising 21 countries. In 2014, he was appointed the Head of Finance and Control Division Food & Beverage of Nestlé Greater China Region position before his current appointment as the Head of Finance and Control of Nestlé CWA Region on 1 February 2017. He was appointed to the Board on 1 February 2017.

Composition of Board Committees

Nomination, Governance and Remuneration Committee

The Nomination, Governance and Remuneration Committee is made up of three (3) non-executive directors appointed by the Board of Directors with the following terms of reference:

a. Review the structure, size, composition and commitment of the Board at least annually and make recommendations on any proposed changes to the Board;

b. Establish a formal and transparent process for Board appointments, including establishing the criteria for appointment to the Board and Board committees, reviewing prospective candidates' qualifications and any potential conflict of interest; assessing the contribution of current Directors against their re-nomination suitability, and making appropriate recommendations to the Board;

c. Identify individuals suitably qualified to become Board members and make recommendations to the Board for nomination and appointment as Directors;

d. Periodically determine the skills, knowledge and experience required on the Board and its committees;

e. Ensure that the Company has a formal programme for the induction and training of Directors;

f. Undertake the annual assessment of the independent status of each INED;

g. Ensure that the Company has a succession policy and plan in place for the Chairman of the Board, the MD/CEO and all other EDs, NEDs and senior management positions to ensure leadership continuity. Succession planning should be reviewed periodically, with provision made for succession in emergency situations as well as long-term vacancies;

h. Deal with all matters pertaining to executive management selection and performance, including an annual evaluation of the performance of the MD/CEO and executive management;

i. Develop a process for, and ensure that the Board undertakes, an annual performance evaluation of itself, its committees, the Chairman and individual Directors, as well as the Company's corporate governance practices;

j. Ensure the development and periodic review of Board charters, Board committee charters and other governance policies, such as the code of ethics, conflict of interest and whistleblowing policies among others;

k. Develop a formal, clear and transparent framework for the Company's remuneration policies and procedures and

l. Recommend to the Board on the Company's remuneration policy and structure for all Directors and senior management employees.

The Committee met on 17 December 2019 and discharged their responsibilities excellently in 2019.

The table below shows the members who served on the committee in 2019 and their attendance at meeting:

Nomination, Governance and Remuneration Committee Members and attendance at meeting	
	Date of Meeting
Name	17 December 2019
Mr. Remy Ejel	✓
Mr. Gbenga Oyebode	✓
Mr. Ricardo Chavez	✓
✓ Present	

Risk Management Committee

The Committee is to assist the Board in its oversight of the risk profile, risk management framework and the risk reward strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile. Meetings of the Committee were held on 4 March 2019 and 29 October 2019 and the Committee discharged their responsibilities excellently in 2019.

The table below shows the Directors who served on the Committee in 2019 and their attendance at meetings:

Risk Management Committee Members and attendance at Meetings			
Name	04/03/2019	29/10/2019	Total
Mr. Gbenga Oyebode	✓	✓	2
Mr. Ricardo Chavez	✓	✓	2
Mr. Jagdish Singla	✓	✓	2
✓ Present			

On 29 October 2019, the Board expanded the scope of the Committee and changed its name to Board Audit and Risk Management Committee with the following terms of reference:

a. Exercise oversight over management's processes to ascertain the integrity of the Company's financial statements, compliance with all applicable legal and other regulatory requirements; and assess the qualifications and independence of the external auditors, and the performance of the Company's internal audit function as well as that of the external auditors;

b. Ensure the establishment of and exercise oversight on the internal audit function which provides assurance on the effectiveness of the internal controls. On a quarterly basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including identification of any issues or recommendations for improvement raised by the most recent internal audit review of the Company;

c. Ensure the development of a comprehensive internal control framework for the Company, obtain appropriate (internal and/or external) assurance and report annually in the Company's audited financial report, on the design and operating effectiveness of the Company's internal controls over the financial reporting systems;

- d. Oversee the process for the identification of fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place;
- e. Discuss the interim or annual audited financial statements as well as significant financial reporting findings and recommendations with management and external auditors prior to recommending same to the Board for their consideration and appropriate action;
- f. Maintain oversight of financial and non-financial reporting.
- g. Review and ensure that adequate whistle-blowing policies and procedures are in place and that the issues reported through the whistle-blowing mechanism are summarized and presented to the board;
- h. Review, with the external auditors, any audit scope limitations or significant matters encountered and management's responses to same;
- i. Develop a policy on the nature, extent and terms under which the external auditors may perform non-audit services;
- j. Review the independence of the external auditors prior to their appointment to perform non-audit services to ensure that where approved non-audit services are provided by the external auditors, there is no real or perceived conflict of interest, or other legal or ethical impediment;
- k. Preserve auditor independence, by setting clear hiring policies for employees or former employees of external auditors;
- l. Ensure the development of a Related Party Transactions policy and monitor its implementation by management. The Committee should consider any related party transaction that may arise within the Company.

Statutory Audit Committee

The Committee is established to perform the functions stated in Section 359 (6) of the Companies and Allied Matters Act. There are six (6) members of the Committee and one of the three representatives of the shareholders is the chairman of the Committee. The Committee met quarterly during the period under review and discharged their responsibilities excellently.

The table below shows the members who served on the Committee during the period and their attendance at meetings:

Statutory Audit Committee Members and attendance at Meetings

Name	04 March 2019	29 April 2019	26 July 2019	29 October 2019	Total
Mr. Matthew Akinlade	✓	AWA	✓	✓	3
Mr. Christopher Nwaguru	✓	✓	AWA	✓	3
Alhaji Kazeem Owonikoko Bello	✓	✓	✓	✓	4
Mr. Ricardo Chavez	✓	✓	✓	✓	4
Mr. Gbenga Oyebode	✓	✓	✓	✓	4
Mrs. Ndidi Nwuneli	✓	✓	✓	AR	3

✓ Present AWA Absent with apologies AR Already resigned

Board Charter and Code of Ethics

The Company has a Board Charter and Code of Ethics approved by the Board and signed by all members. The document provides guidance to members on the operations of the Board, duties and obligations of members, code of conduct and how to avoid conflict of interest in any business relationship with the Company.

Other Charters and Policies

These include Audit Committee Charter, Nomination, Governance and Remuneration Committee Charters, Audit and Risk Management Committee Charter, Internal Audit Charter and Remuneration Policy.

Insider Trading

The directors of the Company and senior employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Stock Exchange. As required by law, the shares held by directors are disclosed in the annual report.

Our Company has securities trading policy applicable and circulated to directors, insiders, external advisers and all employees that may at any time possess any inside or material information about our Company. The securities trading policy is also available on the website of the Company.

Our Company has adopted a code of conduct regarding securities transaction by the directors on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Stock Exchange. The Company has made specific enquiry of all directors whether they have complied with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by directors and the Company is not aware of any non-compliance.

The Corporate Governance Rating System Certification

Our Company is one of the Corporate Governance Rating System (CGRS) certified listed companies in Nigeria after completing the exercise conducted by the Nigerian Stock Exchange (NSE) and the Convention on Business Integrity (CBI). The exercise comprises three segments: an independently verified, self-assessment by the company; a certification of director awareness of their fiduciary duties; and, a corporate integrity assessment where perceptions of actual company behavior is sought from internal and external stakeholders.

Combinations of the three segments with attendant weighted scores are collated and companies with a score of 70% and above will be accorded the CGRS certification mark celebrating the degree to which they have evolved the quality of their corporate governance. Our Company scored 89.43% which is above the 70% threshold after the aggregation of scores across the three stages.

Nigerian Code of Corporate Governance 2018

The Financial Reporting Council of Nigeria unveiled the Nigerian Code of Corporate Governance 2018 on 15 January 2019. Thereafter, the Minister of Industry, Trade and Investment published the Regulation on Adoption and Compliance with the Code stating that all affected entities shall report on the application of the Code in their annual reports for financial years ending after January 1, 2020 in the form and manner prescribed by the Financial Reporting Council of Nigeria. We will report on the application of the Code in the financial year stated in the Regulation.

Human Resources Policies and other related matters

The Company recognizes that its human resources are very valuable assets. Consequently, the human resources policies of the Company are to ensure that the aptitude, knowledge and skills of staff are put to the best possible use. The training of staff to perform their duties effectively is a major preoccupation of Management.

The Management holds periodic meetings with the employees in order to brief them on business related issues and exchange ideas that are beneficial. In addition, there is the Managing Director - Union Forum with all the key Union officers as well as top management staff, to foster greater understanding of the business and the need to realize our roles as joint stakeholders.

Corporate Governance

89.43%

score

Also, Management communicates corporate issues to employees regularly through circulars and newsletters - "Nestlé News". Nestlé has no employee share-ownership scheme.

It is the Company's policy to:

a. Give every employee the chance of proving his or her ability in order to realize the desired career progression;

b. Give equal opportunity for engagement and promotion based on merit, diligence and good conduct;

c. Remunerate staff based on the principle of internal equity and external comparability together with performance;

d. Appreciate honesty, integrity and loyalty to the Company;

e. Encourage loyalty by providing adequate job security and good conditions of work to all employees;

f. Give every employee when necessary the opportunity to deal directly with Management and raise matters affecting his or her work for discussion and resolution;

g. Promote joint consultation and communication in order to enable employees to have full opportunity to speak frankly with Management on matters of mutual interest;

h. Provide a safe working environment by encouraging employees to work safely and maintain good health at all times.

Company's Sustainability policies
Corruption

The Company has zero-tolerance attitude to corruption and unethical practice. It encourages its employees, contractors and business partners to always ensure the highest standards of integrity and compliance with all relevant laws and regulations. On a regular basis, the Company tracks and monitors potential corruption prone activities and designs strategies to eliminate the corruption risks.

In furtherance of the above, the Company has established an anonymous whistle blowing system which enables staff, suppliers and distributors to raise concerns in relation to its operations and report malpractice, illegal acts or omission by employees. Such concerns could be communicated to the Company through *Web URL: www.nestle-cwa.com/en/tell-us,* then log in using the access code: 11021 or Tell us hotline: 070 8060 1488

Creating Shared Value

The Company works alongside stakeholders and partners to build value for society while creating value for stakeholders, a principle known as Creating Shared Value (CSV) with a special focus on Nutrition education, access to clean water, rural development and care for the environment. The Company is convinced that its intervention in these areas will help build thriving communities and help ensure that our business remains competitive and profitable competitive.

Through CSV, the Company provides technical assistance to farmers to help them increase the quality and quantity of yields; provides access to clean water in rural areas; embarks on school building and rehabilitation projects; engenders grassroots sports development; provides edutainment that is used to promote and encourage physical activities; implements fortification initiatives to fight malnutrition; provides job and development opportunities in order to contribute to the growth and development of Nigeria.

Environmental Protection

Nestlé Nigeria adopts a precautionary approach to environmental stewardship which enables the Company to maintain a clear vision about environmental objectives. Nestlé consistently reduces its carbon footprints by reducing the quantity of water used across its operations while reducing gas emissions year on year. The company also strives to achieve zero waste to landfill across its operations and processes.

When all options for water, reuse and recycling have been exhausted, the waste water passes through the water treatment plant before it is discharged into the environment. To reduce both the volume and load of the waste water, Nestlé has a modern waste water treatment facility at Agbara factory.

The facility ensures that the physical, chemical and biological parameters of the wastewater are controlled within the limits set by the government of Nigeria before it is discharged from the factory.

In order to reduce the impact of its operations on the environment, Nestlé has built a new Distribution Centre within its Agbara factory. This has eliminated the pollution associated with the transportation of our raw materials and finished products from and to our previous Distribution Centre at Ota.

HIV/AIDS

Our Company always endeavors to provide a safe and healthy working environment for its employees. The Company makes available to all employees periodically voluntary and free HIV/AIDS screening and confidential counselling sessions for them to know their status. It also provides regularly, basic HIV/AIDS training to educate the employees on its prevention, care and control.

It is the policy of the Company not to discriminate against any employee based on his or her HIV status. Confidentiality is fully respected and only disclosed to our company doctor.

E-Dividend

Consistent with the Nestlé business strategy of Shareholder Value Creation and in line with our commitment to good corporate governance, we are encouraging our shareholders to embrace the e-dividend and e-bonus.

This is to enable us pay dividend due to shareholders by crediting their bank accounts with dividend and the Central Securities Clearing System (CSCS) accounts with bonus shares immediately they are declared. Consequently, we hereby request all shareholders to complete the detachable form in the Annual Report, in order to provide our Registrars, Greenwich Registrars & Data Solutions Limited, with their bank accounts and CSCS numbers. We request our shareholders to use the recently launched e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing through the new E-Dividend Mandate Management System jointly introduced by the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria Inter-Bank Settlement Systems PLC and the Institute of Capital Market Registrars.

We also request our shareholders to complete and submit to our Registrars the Electronic Delivery Mandate Form which would enable them to receive soft copy of our annual report and accounts via e-mail address or compact disk to be sent to them by post.

Independent Auditor

The Company's auditor is Deloitte & Touche.

General Mandate Circular

Information in respect of General Mandate

In accordance with the Rules on Transactions with Related Parties issued by the Nigerian Stock Exchange, the Company is seeking the renewal of the general mandate from shareholders as per item 8 on the Agenda for the Annual General Meeting slated for 30 June 2020.

The aggregate value of all transactions entered into with related companies during the financial year as stated on page 104 of this Annual Report and Accounts is more than 5% of the latest net tangible assets or the issued share capital of the Company.

In order to ensure smooth operations, the Company will continue to procure goods and services and engage in other transactions that are necessary for its operations from related companies in the next financial year and hereby seeks a general mandate from shareholders for the related company transactions of trading nature and those necessary for the day-to-day operations, that are more than 5% of the latest net tangible assets or the issued share capital of the Company. Relevant items for the consideration of the shareholders are stated below:

(i) The class of interested persons with which the Company will be transacting during the next financial year are Nestlé S.A. Switzerland, its subsidiaries and associated companies;

(ii) The transactions with the related companies are transactions of trading nature and those necessary for the day-to-day operations;

(iii) The rationale for the transactions are that they are indispensable to the operations of the Company, cost effective and makes the products of the Company to be competitive;

(iv) The method and procedure for determining transaction prices are based on the transfer pricing policy;

(v) Ernst & Young, the transfer pricing consultants of the Company, gave opinion that based on the transfer pricing compliance exercise it earlier conducted that the method and procedure in (iv) above are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to the interests of the issuer and its minority shareholders;

(vi) The audit committee of the Company confirms that the transfer pricing method and procedure for determining the transaction prices as earlier reviewed by Ernst & Young are adequate;

(vii) The Company shall obtain a fresh mandate from shareholders if the method and procedure become inappropriate; and

(viii) The interested person shall abstain, and has undertaken to ensure that its associates shall abstain, from voting on the resolution approving the transaction.

Complaints Management Policy of Nestlé Nigeria Plc for shareholders

Table Of Contents

1. Preamble

This Complaint Management Policy ("the Policy") has been prepared pursuant to the requirements of the Securities & Exchange Commission's Rules Relating to the Complaints Management Framework of the Nigerian Capital Market ("SEC Rules") issued on 16th February, 2015 and The Nigerian Stock Exchange Directive (NSE/LARD/LRD/CIR6/15/04/22) to all Listed Companies ("the NSE Directive") issued on 22nd April, 2015.

Further, this policy has been prepared in recognition of the importance of effective engagement in promoting shareholder / investor confidence in the company.

This Policy sets out the broad framework by which Nestlé Nigeria Plc ("Nestlé" or "the Company") and its Registrar will provide assistance regarding shareholder issues and concerns. It also provides the opportunity for Nestlé's shareholders to provide feedback to the Company on matters that affect shareholders.

This Policy only relates to the Company's shareholders and does not extend to its customers, suppliers or other stakeholders.

2. Objective

This Policy is designed to ensure that complaints and enquiries from the Company's shareholders are managed in a fair, impartial, efficient and timely manner.

3. Nestlé's Commitment

Nestlé is committed to providing high standards of services for shareholders, including:

- Providing a platform for efficient handling of shareholder complaints and enquiries;
- Enabling shareholders to have shareholder related matters acknowledged and addressed;
- Providing sufficient resources to ensure that shareholders' complaints and enquiries are dealt with adequately, and in an efficient and timely manner; and
- Facilitating efficient and easy access to shareholder information.

4. Procedure for Shareholder Complaints/Enquiries

Shareholders can make complaints/enquiries and access relevant information about their shareholdings in the following manner:

a. **Contact the Registrar:** Shareholders who wish to make a complaint / enquiry shall in the first instance contact the Registrar (see the contact details set out in section 8 of this Policy). The Registrar manages all the registered information relating to all shareholdings, including shareholder name(s), shareholder address and dividend payment instructions amongst others.

   Upon receipt of a complaint or an enquiry, the Registrar shall take appropriate action to resolve the issue and immediately provide the relevant details of such complaint or enquiry to Nestlé for monitoring, record keeping and reporting purposes.

   In resolving complaints or enquiries, the Registrar shall be guided by the timelines stipulated in clause 5 (c-f) of this Policy.

b. **Contact Nestlé's Company Secretary:** If the Registrar is unable to satisfactorily address shareholders' enquiries and resolve their complaints then, shareholders should contact the office of the Company Secretary (see the contact details set out in section 9 of this policy).

5. Complaints/Enquiries received directly by Nestlé

Where a complaint or an enquiry is sent to Nestlé directly, the Company upon receipt of the complaint or enquiry, shall use its best endeavours to ensure that:

a. relevant details of the complaint or enquiry are immediately recorded.

b. It forwards the complaint or enquiry to the Registrar and that a response is provided by the Company or the Registrar within the time frame set out in sub-clauses (c-f) below.

c. complaints or enquiries received by e-mail are acknowledged within two (2) working days of receipt.

d. complaints or enquiries received by post are responded to within five (5) working days of receipt.

e. complaints or enquiries are resolved by the Registrar or company within ten (10) working days of receipt.

f. The Nigerian Stock Exchange is notified, within two (2) working days, of the resolution of a complaint or enquiry.

g. where a complaint/ enquiry cannot be resolved within the stipulated time frame set out above, the shareholder shall be notified that the matter is being investigated. Delays may be experienced in some situations, including where documents need to be retrieved from storage.

h. the same or similar medium that was used for the initial enquiry is used in providing a response (whether by email, phone, post or fax), unless otherwise notified to or agreed with the shareholder.

6. Electronic Complaints Register and Quarterly Reporting Obligations

Nestlé shall maintain an electronic complaints register. The electronic complaints register shall include the following information:

- The date that the enquiry or complaint was received.
- Complainant's information (including name, address, telephone number, e-mail address).
- Nature and details of the enquiry or complaint.
- Action Taken / Status.
- Date of the Resolution of the complaint.

Nestlé shall also provide information on the details and status of complaints to the Securities and Exchange Commission and The Nigerian Stock Exchange on a quarterly basis.

7. Liaison with the Registrar

During the course of investigating a shareholder's enquiry, complaint or feedback, Nestlé may liaise with the Registrar. Nestlé's engagement with the Registrar will include:

- Determining the facts;
- Determining what action has been undertaken by the Registrar (if any); and
- Coordinating a response with the assistance of the Registrar.

8. Contact Details of the Registrar

The Registrar may be contacted as follows:
Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos,
P.M.B. 12717 Apapa, Lagos
Telephone: +234 1 2793160-2
E-mail: info@gtlregistrars.com
Website: www.gtlregistrars.com

9. Contact Details of Nestlé's Company Secretary

Shareholders seeking to escalate unresolved complaints are invited to contact the Company Secretary as follows:

The Company Secretary/Legal Adviser
Nestlé Nigeria Plc
22-24 Industrial Avenue
Ilupeju
P.M.B. 21164
Ikeja
Telephone:+234 1 2798184; +234 1 2798188
E-mail: shareholders.enquiries@ng.nestle.com
Website:
www.nestle-cwa.com/en/investors/nigeria.com

10. Shareholder Access to this Policy

Shareholders will have access to this policy through the following avenues:

The Policy shall be available on Nestlé's website www.nestle-cwa.com/en/investors/nigeria.com

A copy of the Policy may be requested by contacting the Office of the Company Secretary/Legal Adviser.

The Policy shall be made available to shareholders of the Company through the Annual Report and Accounts.

11. Fees and Charges

Wherever possible, and subject to statutory requirements, Nestlé will not charge shareholders for making enquiries, giving feedback, providing a response or for any aspect in the course of resolving a shareholder matter.

Shareholders are informed that in some circumstances the Registrar may charge shareholders a fee (for example, to resend previous dividend statements upon request by the shareholder).

12. Amendment/Review of this Policy

Nestlé may from time to time review this Policy and the procedures concerning shareholder enquiries, complaints and feedback.

Any changes or subsequent versions of this Policy will be published on Nestlé's website www.nestle-cwa.com/en/investors/nigeria.com

Approved by:

Managing Director/Chief Executive Officer

Company Secretary/Legal Adviser

Greenwich Registrars and Data Solutions Limited

Introducing the New E-Dividend Mandate Management System (EDMMS)

As a part of the ongoing collaborative efforts of stakeholders in the Financial industry to ensure that the e-dividend payment process is embraced by all, the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria InterBank Settlement System (NIBSS) and the Institute of Capital Market Registrars (ICMR) have successfully developed an e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing.
The portal is a web-based application that can be **accessed** by every branch of all Banks and by all Registrars. The following are the unique features/advantages for the new process;

1. Shareholders can go to their Bank or any of their Bank branches nationwide to complete an e-dividend mandate form and this will be verified and stamped by the Bank and forwarded electronically to the Registrar.

2. Data relating to shareholders who are yet to provide their Bank details to Registrars has been pre-loaded unto the portal by NIBSS so as to allow the Bank verify shareholders' details on-line when they complete e-dividend forms.

3. Completed forms that have been verified by the Bank will be forwarded electronically to the relevant Registrars via the portal.

4. Confirmation of forms and other correspondence between the Registrar and the Bank as may be required will be done via the portal.

5. Shareholders do not have to come to the Registrar's Office to submit e-dividend forms anymore.

With the new system, shareholders have the opportunity to update their Bank details with the Registrars with ease.

We wish to inform you that Greenwich Registrars & Data Solutions Limited is actively involved in this process and shareholders on the Registers of members managed by us are encouraged to take advantage of this new process to update their records with us with the Bank details.

Kindly visit your Bank or any of Greenwich Registrars & Data Solutions Limited offices nationwide as stated below and our website www.gtlregistrars.com for more details. Thank you.

ABUJA BRANCH
Plot 388 Coscharis Building 4th Floor Behind Old Chelsea Hotel, Central Business District Abuja
Tel: 08159594278

BENIN BRANCH
5 Forestry Road Benin City Edo State Tel: 08159594382

IBADAN BRANCH
Omoor House Opposite Palms Shopping Mall Ring Road Oyo State. Tel: 08159594384

KANO BRANCH
1st Floor 37 Niger Street Murtala Mohammed Way Kano, Kano State. Tel: 08159594383

OWERRI BRANCH
Union Bank Building Owerri-Port Harcourt Road Owerri, Imo State
Tel: 08159594388

PORT HARCOURT BRANCH
No 26 Aba Road, Opp. Oando filling station Port Harcourt, Rivers State. Tel: 08159594386

Annual Report and Financial Statements together with Directors’ and Auditor’s Reports

31 December 2019

Contents

Directors and Other Corporate Information

Board of Directors	Mr. David Ifezulike	Chairman
	Mr. Mauricio Alarcon (Mexican)	Managing Director/Chief Executive Officer
	Mr. Jagdish Singla (Indian)	Finance & Control Director
	Mr. Remy Ejel (French)	Non-Executive Director
	Mr. Ricardo Chavez (Mexican)	Non-Executive Director
	Mr. Gbenga Oyebode	Independent Non-Executive Director
	Mrs. Ndidi Okonkwo Nwuneli	Independent Non-Executive Director (Resigned on 20/10/2019)
	Mrs. Juliet Ehimuan	Independent Non-Executive Director (Appointed with effect from 24/02/2020)
Company Secretary/ Legal Adviser	Mr. Bode Ayeku	
Registered Office Tax Identification **Number** 00389604-0001	22-24, Industrial Avenue Ilupeju, Lagos Tel: 01 – 2798184, 2798188, 2790707	
Registrars	Greenwich Registrars & Data Solutions Limited 274 Murtala Muhammed Way Alagomeji, Yaba, Lagos Tel: 01- 5803369, 5451399, 5803367	
Independent Auditor	Deloitte & Touche Civic Towers Plot GA1, Ozumba Mbadiwe Avenue Victoria Island, Lagos Nigeria Tel: +234(1)9041700	
Members of the Audit Committee	Mr. Matthew Akinlade	Chairman
	Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
	Mr. Christopher Nwaguru	Shareholders' Representative
	Mrs Ndidi Okonkwo Nwuneli	Directors' Representative (Resigned on 20/10/2019)
	Mr. Ricardo Chavez (Mexican)	Directors' Representative
	Mr. Gbenga Oyebode	Directors' Representative
	Mrs. Juliet Ehimuan	Directors' Representative (Appointed on 24/02/2020)

Financial Highlights

In thousands of naira	2019	2018	Increase /(Decrease)%
Revenue	284,035,255	266,274,621	7%
Profit before income tax	71,123,824	59,750,846	19%
Profit for the year	45,683,113	43,008,026	6%
Declared dividend*	50,333,672	37,651,172	34%
Share capital	396,328	396,328	0%
Total equity	45,557,630	50,220,486	(9%)
Data per 50k share			
Basic earnings	N57.63	N54.26	
Declared dividend	N70.00	N58.50	
Net assets	N63.36	N63.36	
Dividend per 50k share in respect of current year results only			
Interim dividend declared	N25.00	N20.00	
Final dividend proposed**	N45.00	N38.50	
Stock Exchange Information			
Stock exchange quotation at 31 December in Naira per share	1,465.90	1,485.00	(1%)
Number of shares issued ('000)	792,656	792,656	-
Market capitalisation at 31 December (N: million)	1,165,125	1,177,095	(1%)

* Declared dividend represents the interim dividend declared during the year (N25.00) and final dividend proposed for the preceding year but declared during the current year.

** The directors proposed a final dividend of N45.00 (N32.50k from the profit for the year ended 31 December 2019 and N12.50k from the after tax profit for the year ended 31 December 2016) (2018:N38.50) per share on the issued share capital of 792,656,252 (2018:792,656,252) ordinary shares of 50k each, subject to approval by the shareholders at the Annual General Meeting.

Directors' Report

For the year ended 31 December 2019

1. Financial Statements

The directors present their annual report on the affairs of Nestlé Nigeria Plc ("the Company"), together with the financial statements and independent auditor's report for the year ended 31 December 2019.

2. Principal Activities

The principal activities of the Company continue to be the manufacturing, marketing and distribution of food products including purified water throughout the country. The Company also exports some of its products to other countries within and outside Africa.

3. Operating Results

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

	2019	2018
	N'000	N'000
Revenue	284,035,255	266,274,621
Results from operating activities	72,062,046	60,640,731
Profit before income tax	71,123,824	59,750,846
Profit for the year	45,683,113	43,008,026
Total comprehensive income for the year	45,683,113	43,008,026

4. Dividend

The Directors recommend the payment of a final dividend of N45.00 (2018: N38.50) per share having earlier declared an interim dividend of N25.00 (2018: N20:00 from the profit of 2018) on the issued share capital of 792,656,252 (2018:792,656,252) ordinary shares of 50k each. The proposed final dividend of N45.00 is composed of N32.50 from the profit for the year ended 31 December 2019 and N12.50 from the after tax profit of the year ended 31 December 2016. If the proposed dividend of N45.00 is approved by the shareholders, it will be subject to deduction of withholding tax at the applicable rate and the total dividend paid for the year will be N70.00.

5. Directors and Their Interests

(a) The directors who served during the year and their interests in the shares of the Company at the year end were as follows:

	Appointed/(Resigned)	Interest in the Ordinary Shares of the Company	
		2019	2018
Mr. David Ifezulike - Chairman		56,255	56,255
Mr. Mauricio Alarcon (Mexican) - MD/CEO		Nil	Nil
Mr. Jagdish Singla (Indian)		Nil	Nil
Mr. Remy Ejel (French)		Nil	Nil
Mr. Ricardo Chavez (Mexican)		Nil	Nil
Mr. Gbenga Oyebode		Nil	Nil
Mrs. Ndidi Okonkwo Nwuneli	(20/10/2019)	Nil	Nil
Mrs. Juliet Ehimuan	24/02/2020	2,146	2,146

No shares of the company were held by Nestle S.A. Switzerland as indirect holdings in favor of Directors.

(b) Mr. Gbenga Oyebode is the Chairman of CFAO Nigeria Plc, one of our vehicle suppliers. In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, he has notified the Company of his position with CFAO Nigeria Plc.

(c) No share options were granted to the directors by Nestlé Nigeria Plc. However, Nestlé S. A., the ultimate parent company has a share based payment scheme offered to certain key management personnel including certain directors of the Company. Information relating to this share based payment scheme is disclosed in Note 23(a)(iv) to the financial statements.

6 Records of Directors' Attendance

Further to the provisions of Section 258(2) of the Companies and Allied Matters Act of Nigeria, the Record of Directors' Attendance at Board Meetings held in 2019 is available at the Annual General Meeting for inspection.

7 Analysis of Shareholdings

	Number of shareholders	%	Number of shares	%
1 - 5,000	25,835	89.09	21,050,285	2.66
5,001 - 10,000	1,564	5.39	10,716,685	1.35
10,001 - 50,000	1,246	4.30	24,785,892	3.13
50,001 - 100,000	150	0.52	10,431,984	1.32
100,001 - 500,000	140	0.48	29,372,438	3.71
500,001 - 1,000,000	26	0.09	18,746,265	2.36
1,000,001 - 5,000,000	29	0.10	69,196,575	8.73
5,000,001 - 10,000,000	3	0.01	20,693,534	2.61
10,000,001 and above	5	0.02	63,103,135	7.96
	28,998	100.00	268,096,793	33.82
Nestlé S.A, Switzerland *	1	0.00	524,559,457	66.18
	28,999	**100**	**792,656,252**	**100**

*Apart from Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18%) and Stanbic IBTC Nominees Limited with 8.53%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2019.

8 Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 15 to the financial statements.

9 Donations

The value of gifts and donations made by the Company during the year amounted to N42,905,415 (2018: N33,965,000) and analysed as follows:

	2019
	N'000
Nestle for Healthy Kids program (N4HK)	23,211
Makun High School, Sagamu-School renovation	11,732
Community water projects and Pedestrian Bridge Abaji	7,962
	42,905

In compliance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose during the year.

In addition to the above mentioned donations, the Company continued with its strong focus on creating shared value initiatives. Nestlé Nigeria invested in capacity development for farmers and in building technical and employability skills for youths.

The Company also signed a Memorandum of Understanding (MOU) with an environmental group, Wecyclers, to tackle the challenge of plastic waste pollution in Nigeria in line with her vision that none of its product packaging, including plastics ends up in landfills, litters the environment, seas, oceans and waterways.

10 Nestlé Nigeria Trust (CPFA) Limited ("NNTL")

Nestlé Nigeria Trust (CPFA) Limited ("NNTL") previously called Nestlé Nigeria Provident Fund 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 defined contribution gratuity scheme for employees of Nestlé Nigeria Plc.

11 Local Sourcing of Raw Materials

On a continuing basis, the Company explores the use of local raw materials in its production processes and has successfully introduced the use of locally produced items such as soya bean, maize, cocoa, palm olein and sorghum in a number of its products.

12 Major Distributors

The Company's products are distributed through various distributors that are spread across the whole country as stated on page 125 of the Annual report and financial statements.

13 Suppliers

The Company procures all of its raw materials on a commercial basis from overseas and local suppliers. Amongst the overseas suppliers are companies in the Nestlé Group.

14 General Licence Agreement

The Company has a general licence agreement with Societe des Produits Nestlé S.A., Nestec S.A. and Nestlé S.A., all based in Switzerland.

Under the agreement, technological, scientific and professional assistance are provided for the manufacture, marketing, quality control and packaging of the Company's products, development of new products and training of personnel abroad. Access is also provided to the use of patents, brands, inventions and know-how.

The Company obtained the approval of the National Office for Technology Acquisition and Promotion (NOTAP) with certificate No. CR 006577 for the remittance of General Licence Fees to Societe des Produits Nestlé S.A., Nestec S.A. and Nestlé S.A. The approval is for a period of three (3) years with effect from 1st January 2018 to 31st December 2020.

15 Acquisition of Own Shares

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

16 Employment and Employees

(a) Employment of physically challenged persons:

It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. The Company had 17 (2018: 18) physically challenged persons in its employment as at 31 December 2019.

All employees whether physically challenged or not are given equal opportunities to develop their expertise and knowledge and qualify for promotion in furtherance of their careers. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

(b) Health and safety at work and welfare of employees:

The Company invests its resources to ensure that hygiene on its premises is of the highest standard. In this regard, the Company has, on three occasions, won the Manufacturers' Association of Nigeria's award for the best kept factory and on three occasions won the Federal Environmental Protection Agency's environmental performance award as the most environment-friendly company in Nigeria. The work environment is kept conducive and as safe as possible.

The Company operates its own clinics which provide quick health care to its employees. In pursuit of efforts to improve health infrastructure and enhance the quality of care for the employees, the company has built a new ultra modern clinic at Agbara factory. The new clinic which is fully equipped with state-of-the-art medical facilities consists of three consulting rooms, one pharmacy, one laboratory and two observation rooms, amongst others.The modernization of the medical facilities by the Company is in line with Nestlé Corporate Business principles of promoting safe and healthy work environment for the employee.

The Company caters for the recreational needs of its employees by providing them with a wellness center and other games facilities such as Table Tennis, Draughts, etc. Lunch is provided free to staff in the Company's canteen.

(c) Employees involvement and training:

The Company places considerable value on the involvement of its employees and has continued the practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Circulars and newsletters on significant corporate issues are published. Regular briefing sessions are also held at corporate and operational levels to enhance exchange of information. Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external and overseas training for its employees. This has broadened opportunities for career development within the organisation.

In addition, we have graduated five (5) sets of technical students from Nestle Technical Training Center (NTTC). The multi-skill engineering training runs for a period of 18 months.The total number of those who have so far completed the programme till date is seventy-nine (79). The cost of the training was fully paid by our Company. The success of the NTCC in our Agbara factory has spurred us on to replicate and adapt the NTCC model in our Nestle Waters factory in Abaji.

The content of the course is based on the syllabus of City and Guilds of London Technicians Examinations Certificates in Engineering, one of the world's leading vocational education organizations. To empower the trainees with relevant skills, the top five (5) students in the scheme were taken to Switzerland for further training within the Group's factories. In order to reduce unemployment, a total of sixty-eight (68) graduates made up of eight (8) of the thirteen (13) graduates from the first batch, thirteen (13) graduates from the second batch, all the twenty (20) graduates from the third batch and a total of twenty-seven graduates (27) from the fourth and fifth batches were given employment by our Company. The other eleven (11) graduates are in full time employment with other organizations. The sixth batch of twenty students in Agbara factory comprising ten (10) males and ten (10) females and second batch of twenty students in Abaji factory comprising of 16 males and 4 females were admitted into the training school in July 2019 and January 2020 respectively, for another 18 months programme.

This NTTC program contributes to an increase in the overall technology know-how in Nigeria and the pool of employable technical persons as the students also act as technology ambassadors after they have completed their training programme.

17 Nomination, Governance and Remuneration Committee

The Nomination, Governance and Remuneration Committee is made up of three (3) directors appointed to make recommendations on the structure and composition of the Board and its Committees; governance issues and to submit proposals on the salaries of executive directors to the Board for approval. The members of the Committee are Mr. Remy Ejel, Mr. Ricardo Chavez and Mr. Gbenga Oyebode.

18 Audit Committee

In accordance with section 359(4) of the Companies and Allied Matters Act of Nigeria, members of the audit committee of the Company were elected at the Annual General Meeting held on 28 May 2019. Members that served on the audit committee during the year comprise:

Mr. Matthew Akinlade (Chairman)	Shareholders' Representative	
Alhaji Kazeem Owonikoko Bello	Shareholders' Representative	
Mr. Christopher Nwaguru	Shareholders' Representative	
Mrs. Ndidi Okonkwo Nwuneli	Directors' Representative	Resigned on 20/10/2019
Mr. Gbenga Oyebode	Directors' Representative	
Mr. Ricardo Chavez	Directors' Representative	
Mrs. Juliet Ehimuan	Directors' Representative	Appointed on 24/02/2020

19 Risk Management Committee

The Committee is to assist the Board in its oversight of the risk profile, risk management framework and the risk reward strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile. Messrs. Oyebode, Chavez and Singla served on the committee. On 29 October 2019, the Board expanded the scope of the Committee and changed its name to Board Audit and Risk Management Committee. The members of the reconstituted Committee are Mr. Oyebode, Mr. Chavez and Mrs. Juliet Ehimuan.

20 Effectiveness of Internal Control System

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the assets of the Company. The system of internal control is to provide reasonable assurance against material misstatement, prevent and detect fraud and other irregularities.

There is an effective internal control and audit function within the Company which gives reasonable assurance against any material misstatement or loss. The responsibilities include oversight functions of internal audit and control risk assessment and compliance, continuity and contingency planning, and formalisation and improvement of the Company's business processes.

21 Disclosures

a) Borrowings and Maturity Dates

The details of the borrowings and maturity dates are stated in Note 24 to the financial statements.

b) Risk Management and Compliance System

The directors are responsible for the total process of risk management as well as expressing their opinion on the effectiveness of the process. The risk management framework is integrated into the day-to-day operations of the business and provides guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market, technology and compliance risk. The directors are of the view that effective internal audit function exists in the Company and that risk management control and compliance system are operating efficiently and effectively in all respects.

The Company has a structured Risk Management process in place and undertakes at least annually a thorough Risk Assessment covering all aspects of the business. The Risk Assessment is based on the two criteria "Business Impact" and "Likelihood of Occurrence". For every identified Business risk, mitigating measures are implemented by the Company.

c) Sustainability Initiatives

The Company pays adequate attention to the interest of its stakeholders such as its employees, host community, the consumers and the general public. Also, the Company is sensitive to Nigerian's social and cultural diversity and promotes as much as possible national interests as well as national ethos and values without compromising global aspirations where applicable. The Company has a culture of integrity and zero tolerance to corruption and corrupt practices.

d) Related Party Transactions

The Company has contractual relationship with related companies in the ordinary course of business. The details of the outstanding amounts arising from related party transactions are stated in Notes 21,24,26,28 and 32 to the financial statements. In addition, the Company (and other operating companies of Nestlé in Central and West Africa) executed a Shared Services Agreement with Nestlé Central and West Africa Limited.

The purpose of the agreement is to ensure the provision of common operational shared services to all members of the Nestlé Group of companies operating within the Central and West Africa Region, which each member company had previously provided to itself on standalone basis with the attendant duplication of functions, resources and costs. The allocation of the costs to each company is based on Activity Based Costing.

22 Report on Social, Ethical, Safety, Health and Environmental Policies and Practices

Corporate Business Principles

Nestlé is a principle-based company, the Nestlé Corporate Business Principles (NCBP) form the foundation of all we do. NCBP consists of ten principles these are:

Consumers			Human Rights & Labour Practices	Our People		Suppliers and Customers		The Environment	
1	2	3	4	5	6	7	8	9	10
Nutrition, Health and Wellness	Quality assurance and product safety	Consumer Communication	Human Rights & Labour Practices in our business activities	Leadership and personal responsibility	Safety and health at work	Suppliers and Customers relations	Agriculture and rural development	Environmental sustainability	Water

(a) Nutrition, Health and Wellness

We encourage Health and Wellness of our employees by facilitating Work-Life Balance, provision of gym and other recreational facilities on our premises, provision of baby room, extended maternity leave that is not annual leave consuming and paternity leave.

(b) Quality Assurance and Product Safety

Everywhere in the world, the Nestlé name guarantees to the consumer that the product is safe and of high standard.

(c) Consumer Communication

We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. We respect consumer privacy.

(d) Human Rights in Our Business Activities

We fully support the United Nations Global Compact's (UNGC) guiding principles on human rights and labour and aim to provide an example of good human rights and labour practices throughout our business activities.

(e) Leadership and Personal Responsibility

Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values. We provide equal opportunities for our employees' development and advancement. We protect our employees' privacy and do not tolerate any form of harassment or discrimination.

The long-term success of the Company depends on its capacity to attract, retain and develop employees able to ensure its growth on a continuing basis. We provide equal opportunity in our resourcing drive. The Nestlé policy is to hire staff with personal attitudes and professional skills enabling them to develop a long-term relationship with the Company.

(f) Safety and Health at Work

We are committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors and others involved along the value chain. We recognise and require that everyone plays an active role in providing a safe and healthy environment, and promote awareness and knowledge of safety and health to employees, contractors and other people related to or impacted by our business activities by setting high standards.

We have Clinics in our Factories, Distribution Centre and Head Office. The Clinics at the factories operate 24 hours service. Also we have Hospitals listed on retainer basis with the company for our employees and their family use. Efforts are being made by the Management and the Safety, Health and Environment Officers at the various sites to avoid industrial accidents through increased training on safety to both staff and contractors. The target of the Company is to ensure that there is no major accident.

We provide basic HIV/AIDS training to our employees. Also, we provide training and basic information to staff on prevention and treatment of serious diseases. On periodic basis, we invite medical experts and health institutions to make available free screening exercise to enable employees know their status in respect of serious diseases and provide the treatment required. We do not discriminate against or disengage any employee on the basis of his or her HIV/AIDS status. The Company makes the above facilities available to staff through the retained clinics.

(g) Supplier and Customer Relations

We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. In the same way, we are committed to our own customers.

(h) Agriculture and rural development

We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable.

(i) Environmental sustainability

We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources and target zero waste.

We invest continuously to improve our environmental performance. The Nestlé Policy on Environmental Sustainability incorporates the United Nations Global Compact's three guiding principles on environment (Principle 7 on support for precautionary approach to environmental challenges; Principle 8 on the need to undertake initiatives to promote environmental responsibility and Principle 9 on the need to encourage the development and diffusion of environmentally friendly technologies).

Our four priority areas are: water, agricultural raw materials, manufacturing and distribution of our products and packaging. We implement our policy through the Nestlé Environmental Management System. We believe that environmental performance is a shared responsibility and requires the cooperation of all parts of society. We are determined to always provide leadership within our sphere of influence.

(j) Water

We are committed to the sustainable use of water and continuous improvement in water management. We recognise that the world faces a growing water challenge and that responsible management of the world's resources by all water users is an absolute necessity.

(k) Number, diversity, training initiatives and development of employees

As at 31 December 2019, the staff strength of the Company was 2,219 (2018: 2,187). Our employees are made up of male and female from different parts of the country. Every employee is given equal opportunity for promotion purely on the basis of merit.

We provide both experienced based learning and classroom trainings in Nigeria and overseas. Presently, we have 19 (2018: 18) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland and Senegal in order to give them the required exposure to enable them take up higher responsibilities.

(l) Bribery and corruption

We condemn any form of bribery and corruption. Our employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private. Nor must they accept any such advantage in return for any preferential treatment of a third party.

Moreover, employees must refrain from any activity or behavior that could give rise to the appearance or suspicion of such conduct or the attempt thereof.

23 Insider Trading

The directors of the Company and senior employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Stock Exchange. As required by law, the shares held by directors are disclosed in the annual report.

Our Company has securities trading policy applicable and circulated to directors, insiders, external advisers and all employees that may at any time possess any inside or material information about our Company. The securities trading policy is also available on the website of the Company.

Our Company has adopted a code of conduct regarding securities transaction by the directors on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Stock Exchange.

The Company has made specific enquiry of all directors whether they have complied with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by directors and the Company is not aware of any non-compliance.

24 Notable Awards received in 2019

As in previous years, Nestlé Nigeria distinguished itself in 2019 as best in class amongst its peers and received the following awards .

i) Capital Market Correspondents Association of Nigeria (CAMCAN) Awards - Most profitable company (Consumer Goods Sector) on the Nigerian Stock Exchange

ii) Performance Earnings and Returns Leadership Awards (PEARL) Awards – Sectoral Leadership Awards - Consumer Goods Category and Market Excellence Awards - Return on Equity

iii) International Chamber of Commerce – 20 years membership awards

iv) SERAS Awards – Best company in provision of water and sanitation

v) Brandcom Awards 2019 - Best Seasoning brand of the year 2019 (MAGGI)

vi) Top 50 brands Nigeria - 2019 Top 50 brands in Nigeria awards

vii) The Company Secretary of the Year Award was conferred on our Company Secretary, Mr. Bode Ayeku, by ESQ. Nigerian Legal Awards.

25 Independent Auditor

The firm of Deloitte and Touche served as independent auditor during the year under review. In line with the policy on rotation of external auditors, Deloitte and Touche will not continue in office as the company's independent auditor after the conclusion of the forthcoming Annual General Meeting.

Dated this 28th day of February 2020.
BY ORDER OF THE BOARD

Bode Ayeku, FCIS
Company Secretary/Legal Adviser
FRC/2012/NBA/00000000637
22-24, Industrial Avenue
Ilupeju, Lagos.

Nestlé
Good Food, Good Life

Nestlé Nigeria Plc
22-24 Industrial Avenue, Ilupeju
P.M.B 21164, Ikeja, Nigeria

Telephones: 01-279884, 2798168, 2790707

REPORT TO THE MEMBERS OF NESTLÉ NIGERIA PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Maters Act. (CAP. C20) Laws of the Federation of Nigeria, 2004, we have examined the Auditor's Report for the year ended 31 December 2019.

We have obtained all the information and explanations we required.

In our opinion, the Auditor's Report is consistent with our review of the scope and planning of the Audit. We are also satisfied that the Accounting and Reporting policies of the Company are in accordance with legal requirements and agreed ethical practices. Having reviewed the Auditor's findings and recommendations on Management matters, we are satisfied with management responses thereon.

We acknowledge the cooperation of the Auditor, Messrs Deloitte & Touche (Chartered Accountants), Management and staff of the Company in performing our duties.

Dated this 28th day of February, 2020.
Lagos, Nigeria

Matthew Akinlade
Chairman, Audit Committee
FRC/2013/ICAN 00000002111

Members:
Mr. M. Akinlade (Chairman), Mr. C Nwaguru, Mr. R. Chavez (Mexican), Mr. G. Oyebode, Mrs. J. Ehimuan, Alh. K.O. Bello

1. Mr. Matthew Akinlade (Chairman),
2. Alhaji Kazeem Owonikoko Bello,
3. Mr. Christopher Nwaguru,
4. Mr. Gbenga Oyebode,
5. Mr. Ricardo Chavez
6. Mrs. Juliet Ehimuan

Statement of Directors' Responsibilities For the preparation and approval of the Financial Statements

Nestlé
Good Food, Good Life

The Directors of ***Nestlé Nigeria Plc*** are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2019, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fruad and other irregularities

Going Concern:

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.

The financial statements of the Company for the year ended 31 December 2019 were approved by directors on 28th February, 2020

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

David Ifezulike (Chairman) FRC/2013/NIM/00000003355 28th February 2020	Mauricio Alarcon (Managing Director) FRC/2017/NIM/00000016043 28th February 2020	Jagdish Singla (Finance & Control Director) FRC/2018/ICAN/00000018560 28th February 2020

P. O. Box 965
Marina
Lagos
Nigeria
Tel: +234 (1) 904 1700
www.detoitte.com.ng

Deloitte & Touche Lagos
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Independent Auditor's Report

To The Shareholders of Nestlé Nigeria Plc

Opinion

We have audited the accompanying financial statements of Nestle Nigeria Plc which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Nestle Nigeria Plc as at 31 December 2019 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigerian Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audits of the Financial Statements section of our report.

We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with international Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Impairment of property, plant and equipment	
Impairment allowance amounting to N4.4 billion was recognised by the Company in prior year for three production plants. In the current year the Directors reassessed Abaji Plant for impairment using Value in Use (VIU) method in line with IAS 36 which resulted in the impairment of N3.3 billion. However, no impairment allowance was recognised in the current year because the allowance of N3.4 billion, relating to Abaji Plant, made in the prior year was considered adequate. The carrying amount of the Abaji Plant, net of impairment allowance, as at 31 December was N1.2 billion. Significant judgments were made by Directors in assessing the impairment property, plant and equipment, which was determined using Value in Use, based on the discounted cash flow model. The assumptions with the most significant impacts on the cash flow forecast were: • The estimated cash flows which are based on growth rate assumptions. Growth rate is highly subjective because it is based on the directors' experience and expectations rather than observable market data. The growth rate are estimated for the products produced by the asset impaired. • The discount rate, which is based on the weighted average cost of capital. The calculation of the weighted average cost of capital is highly complex. Note 15 of the Financial Statements has the details of the Company's Plant, Property and Equipment and disclosure on the Assets Impairment.	In evaluating the Impairment of property, plant, and equipment, we reviewed the value in use calculations prepared by the directors, with a particular focus on the growth rate, discount rate and cash flow projections. We performed various procedures, including the following: • We tested the entity's controls relating to the Company's Plant, Property and Equipment impairment assessment • Involving internal specialists to assist with the testing of the weighted average cost of capital and discount rate. The specialist's procedures included: i. Assessing the appropriateness of the valuation methodology adopted by Directors for the purpose of assets impairment. ii. Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' in respect of the assets being impaired. iii. Comparing the growth rates used to historical data regarding economy growth rates used for the asset impaired. iv. Recomputation of the value in use of the asset being impaired. v. Performed sensitivity analyses on the discount rates to evaluate the extent of impact on the value in use. vi. Ensure appropriateness of the impairment disclosure in the final statements. The judgements, estimates and assumptions used by the Directors in the determination of the discount rate, growth rate and cash flow projections were found to be reasonable. Our audit review, including the review of our firm's experts in respect of the impairment assessment did not result in material misstatements. We considered the impairment disclosures to be appropriate.

Other Information

The directors are responsible for other information. The other information comprises of the Directors' Report, Audit, Committees' Report, which we obtained prior to the date of the auditor's report. The other information does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work have performed on the other information that we obtained prior to the date of this auditors' report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.

- Obtain and understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee and the directors regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public by such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Stella Mba FCA – FRC/2013/ICAN/00000001348
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
28 February, 2020

Statement of Profit or loss and other Comprehensive Income

In thousands of naira	Note	2019	2018
Revenue	9	284,035,255	266,274,621
Cost of sales	11(b)	(155,888,473)	(152,354,445)
Gross Profit		128,146,782	113,920,176
Marketing and distribution expenses	11(b)	(46,076,786)	(43,489,890)
Administrative expenses	11(b)	(10,007,950)	(9,789,555)
Results from operating activities		72,062,046	60,640,731
Finance income		1,328,872	1,716,889
Finance costs		(2,267,094)	(2,606,774)
Net finance cost	10	(938,222)	(889,885)
Profit before income tax	11	71,123,824	59,750,846
Income tax expense	13(a)	(25,440,711)	(16,742,820)
Profit for the year		45,683,113	43,008,026
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		45,683,113	43,008,026
Profit for the year is attributable to:			
Owners of the company		45,683,113	43,008,026
Total comprehensive income for the year is attributable to:			
Owners of the company		45,683,113	43,008,026
Earnings per share			
Basic earnings per share (Naira)	14 (a)	57.63	54.26
Diluted earnings per share (Naira)	14 (b)	57.63	54.26

The accompanying notes to the financial statements and other National disclosures form an integral part of these financial statements.

Statement of Financial Position

In thousands of naira	Note	2019	2018
Assets			
Property, plant and equipment	15	79,393,681	73,365,523
Right of Use Assets	15c	4,386,059	
Long term receivables	16	2,557,090	2,237,105
Long Term Prepayments	17	-	3,997,477
Total non-current assets		**86,336,830**	**79,600,105**
Inventories	19	33,278,944	23,124,020
Right of return assets	20	58,763	351,995
Trade and other receivables	21	65,820,188	42,175,062
Contract Assets			93,179
Prepayments	17	901,518	1,228,025
Cash and cash equivalents	22	6,978,071	15,762,036
Total current assets		**107,037,484**	**82,734,317**
Total assets		**193,374,314**	**162,334,422**
Equity			
Share capital	23 (a)(ii)	396,328	396,328
Share premium	23 (a)(iii)	32,262	32,262
Share based payment reserve	23 (a)(iv)	123,076	154,788
Retained earnings		45,005,964	49,637,108
Total Equity		**45,557,630**	**50,220,486**
Liabilities			
Loans and borrowings	24	5,516,384	5,921,494
Employee benefits	25	4,307,927	2,700,673
Deferred tax liabilities	18	12,456,944	11,374,268
Total non- current liabilities		**22,281,255**	**19,996,435**
Trade and other payables	28	78,400,058	60,384,454
Contract liabilities	29	5,974,399	3,858,793
Refund liabilities	20	107,082	615,211
Bank Overdraft	22	2,736,058	1,393,678
Current tax liabilities	13(b)	31,801,369	23,629,987
Loans and borrowings	24	4,958,904	1,026,458
Provisions	27	1,557,560	1,208,920
Total current liabilities		**125,535,430**	**92,117,501**
Total liabilities		**147,816,685**	**112,113,936**
Total equity and liabilities		**193,374,314**	**162,334,422**

The Board approved the financial statements on 28th February 2020

David Ifezulike
(Chairman)
FRC/2013/NIM/00000003355

Mauricio Alarcon
Managing Director
FRC/2017/NIM/00000016043

Jagdish Singla
(Finance & Control Director)
FRC/2018/ICAN/00000018560

The accompanying notes to the financial statements and other National disclosures form an integral part of these financial statements.

Statement of Changes in Equity

Attributable to equity holders of the company

In thousands of naira	Note	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
As at 31 December 2018		396,328	32,262	154,788	49,637,108	50,220,486
Profit for the year						
Profit for the year		-	-	-	45,683,113	45,683,113
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	45,683,113	45,683,113
Transactions with owners, recorded directly in equity						
Dividend to equity holders	24 (b)(i)	-	-	-	(50,333,672)	(50,333,672)
Unclaimed dividend written back	24 (b)(ii)	-	-	-	19,415	19,415
Share based payment contribution	24(a) (iv)	-	-	97,100	-	97,100
Share based payment recharge		-	-	(128,812)	-	(128,812)
Balance as at 31 December 2019		**396,328**	**32,262**	**123,076**	**45,005,964**	**45,557,630**
Balance as at 31 December 2017		**396,328**	**32,262**	**147,236**	**44,302,351**	**44,878,177**
Adjustment on initial application of IFRS 9, net of tax					(10,100)	(10,100)
Adjustment on initial application of IFRS 15, net of tax					(89,162)	(89,162)
As at 1 January 2018 (restated)		396,328	32,262	147,236	44,203,089	44,778,915
Profit for the year						
Profit for the year		-	-	-	43,008,026	43,008,026
Total comprehensive income		-	-	-	**43,008,026**	**43,008,026**
Transactions with owners, recorded directly in equity						
Dividend to equity holders	24 (b)(i)	-	-	-	(37,651,172)	(37,651,172)
Unclaimed dividend written back	24 (b)(ii)	-	-	-	77,165	77,165
Share based payment contribution	24(a) (iv)	-	-	80,326	-	80,326
Share based payment recharge		-	-	(72,774)	-	(72,774)
Balance as at 31 December 2018		**396,328**	**32,262**	**154,788**	**49,637,108**	**50,220,486**

Statement of Cash Flows

In thousands of naira	Note	2019	2018
Cash flows from operating activities			
Profit for the year		45,683,113	43,008,026
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	15	7,450,643	11,354,763
Net foreign exchange differences	10	37,356	96,069
Net finance cost/(income)	10	900,865	793,815
Equity settled share based payment transactions	23a(iv)	97,100	80,326
Provisions for other long term employee benefits	25	2,000,074	699,084
Loss/(Gain) on disposal of property, plant and equipment		218,735	358,819
Income tax expense	13(a)	25,440,711	16,742,820
		81,828,597	73,133,722
Changes in long term receivables		(319,985)	(315,873)
Change in Long term prepayments		-	(3,763,307)
Change in inventories		(10,154,924)	786,284
Change in right of return assets		293,232	(209,526)
Change in trade and other receivables		(23,645,126)	(10,833,138)
Change in contract asset		93,179	(50,002)
Change in prepayments		(101,926)	563,151
Change in trade and other payables (excluding dividend payable)		16,704,652	21,696,280
Change in contract liabilities		2,115,606	471,532
Change in refund liabilities		(508,129)	372,116
Changes in provisions		348,641	310,052
Cash generated from operating activities		66,653,813	82,161,291
Income tax paid	13 (b)	(16,186,651)	(7,195,394)
Other long term employee benefit paid	25	(392,820)	(274,332)
Share based payment recharge paid	23a(iv)	(128,812)	(72,774)
Net cash in flow from operating activities		49,945,530	74,618,791
Cash flow from investing activities			
Finance income	10	1,328,872	1,716,889
Proceeds from sale of property, plant and equipment		105,685	26,138
Acquisition of property, plant and equipment	15	(13,763,370)	(12,727,302)
Net cash used in investing activities		(12,328,813)	(10,984,275)
Cash flow from financing activities			
Proceeds from loans obtained -- Bank loan	24 c	10,000,000	-
Repayments of borrowings -- Intercompany loan	24 c	(75,353)	(12,543,788)
-- Bank loan	24 c	(6,451,105)	(1,114,742)
Finance cost paid		(2,213,299)	(2,478,200)
Dividends paid	23(b)	(49,003,305)	(44,554,195)
Net cash used in financing activities		(47,743,062)	(60,690,925)
Net increase/(decrease) in cash and cash equivalents		(10,126,345)	2,943,591
Cash and cash equivalent at January 1		14,368,358	11,424,767
Cash and cash equivalent at December 31	22	**4,242,013**	**14,368,358**

The accompanying notes to the financial statements and other National disclosures form an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Nestlé Nigeria Plc ("the Company") is a Company domiciled in Nigeria. The address of the Company's registered office is at 22-24, Industrial Avenue, Ilupeju, Lagos. The Company is listed on the Nigerian Stock Exchange.

The principal activities of the Company continue to be the manufacturing, marketing and distribution of food products including purified water throughout the country. The Company also exports some of its products to other countries within Africa.

2. Basis of accounting

(a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's Board of Directors on 28 February 2020.

(b) Basis of measurement

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

- Liabilities for equity-settled share-based payment arrangements.
- the present value of the defined benefit obligation relating to long service awards.
- Inventory at lower of cost and net realisable value.

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the Company’s functional currency. All financial information presented in Naira has been rounded to the nearest thousand except where otherwise indicated.

(d) Changes in accounting policies and disclosures

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in Note 4.1.

This change in accounting policies was applied in accordance with transitional requirements of IFRS 16 (Leases)

3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

a) Foreign currency transaction

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding."

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the statement of profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortised cost (trade receivables and short-term deposits). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

"Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations."

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

• an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

• significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

• existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

• an actual or expected significant deterioration in the operating results of the debtor;

• significant increases in credit risk on other financial instruments of the same debtor;

• an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

• when there is a breach of financial covenants by the debtor; or

• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).
Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 60 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write off policy

The Company writes off a financial asset when there is sufficient information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when all economic attempts to recover the outstanding amount have failed or when the period within which the debt can be legally enforced has expired or unable to locate debtor or debtor passed away leaving no asset, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

II) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

All financial liabilities are measured subsequently at amortised cost using the effective interest method.
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities measured subsequently at amortised cost.

Financial liabilities that are not:

(i) contingent consideration of an acquirer in a business combination,

(ii) held-for-trading, or

(iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method."

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings."

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.
The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

(1) the carrying amount of the liability before the modification; and

(2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

III) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

c) 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 at 1 January 2011, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment under construction are disclosed as capital work-in-progress.

The cost of construction recognised 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, 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 capitalised 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 recognised in profit or loss.

II . Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

III. Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:
Depreciation methods, useful lives and residual values are

The estimated useful lives for the current and comparative periods are as follows:	
• buildings	25 - 35 years
• plant and machinery	10 - 25 years
• motor vehicles	5 years
• furniture and fittings	5 years
• IT equipment	3 years

reviewed at each financial year end and adjusted if appropriate. Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

Land has unlimited useful life so it is not depreciated.

Items of PPE classified as Independent Power Plant (IPP) consists of certain asset classes as specified above and depreciation has been charged on the same basis as stated above.

d) Intangible assets

I. Software

Purchased software with finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

II. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

III. Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods is as follows:

Computer Software	5 years

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

e) Leases

The company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented seperately below.

Policy applicable from 1 January 2019

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-to-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed Lease Payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depends on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilty is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The Lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a discount rate at the effective date of modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initital measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leases asset, restore the site on which it is located or restore the undelying assets to the conditon required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use assets, unless those costs are incured to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying assets. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use assets is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property, Plant and Equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other expenses' in profit or loss

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease componets; and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

The Company as lessor

The Company did not enter into any lease agreement as a lessor in 2019

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially, all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The Company as a lessee

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liaibility to the lessor is Included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expenses in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased asset are consumed.

f) Inventories

Inventory is measured at the lower of cost and net realisable value. The cost of inventory includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost incurred in bringing each product to its present location and condition is based on:

Raw and packaging materials and purchased finished goods	Purchase cost on a first- in, first out basis including transportation and clearing costs.
Products-in-process and manufactured finished goods	weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.
Engineering spares	purchase cost on a weighted average cost basis, including transportation and clearing costs.
Goods-in-transit	purchase cost incurred to date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion and selling expenses.

Engineering spares are classified as inventory and are recognised in the profit and loss account as consumed.

Allowance is made for obsolete, slow moving or defective items where appropriate.

g) Impairment of Non-financial assets

I. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). 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").

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.

In respect of other assets (excluding Goodwill for which impairment loss is not reversed), 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 recognised.

h) Employee benefits

I. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the period during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company has the following defined contribution plans: defined contribution gratuity scheme and pension fund scheme.

1 Defined contribution gratuity scheme

The Company has a defined contribution gratuity scheme for its Nigerian employees, which is funded. Under this scheme, a specified amount in accordance with the Gratuity Scheme Agreement is contributed by the Company and charged to the profit and loss account over the service life of the employees. These employees' entitlements are calculated based on their actual salaries and paid to Nestlé Nigeria Trust (CPFA) Limited ("NNTL") each month.

NNTL previously called Nestlé Nigeria Provident Fund 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 defined contribution gratuity scheme for employees of Nestlé Nigeria Plc.

2 Pension fund scheme

In line with the provisions of the Pension Reform Act 2014, the Company instituted a defined contribution pension scheme for its entire Nigerian Staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contributions are charged to the profit and loss account. The Company's contribution is 10% for all senior staff, junior staff and temporary staff while employees contribute 8% of their monthly emolument (basic, housing and transport).

II. Other long term employee benefits (long service awards)

Long service awards accrue to employees based on graduated periods of uninterrupted service. These benefits accrue over the service life of the employees. The charge to the profit and loss account is based on independent actuarial valuation performed using the projected unit credit method. PricewaterhouseCoopers Limited (FRC/2013/IODN/00000002010) was engaged as the independent actuary in the current year. Actuarial remeasurements are recognised in the profit and loss in the year in which they arise.

III. Termination benefits

Termination benefits are recognised 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 recognised 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.

IV. 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 recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans 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.

V. Share-based payment transactions

Nestlé S.A., the ultimate holding company of Nestlé Nigeria Plc operates an equity incentive scheme, Restricted Stock Unit Plan (RSUP) for its management employees whereby it awards shares to deserving employees.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity as a capital contribution from Nestlé S.A., over the period that the employees unconditionally become entitled to the awards.

A recharge arrangement exists between Nestlé S.A. and Nestlé Nigeria Plc whereby vested shares delivered to employees' are recharged. The recharge transaction is recognised as an intercompany liability with a corresponding adjustment in equity for the capital contribution recognized in respect of the share-based payment.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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, regardless of the equity instrument awarded.

i) Provisions

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

j) 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 recognised 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.

k) 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.

Finance cost is also included in financing activities while finance income received is included in investing activities.

l) Revenue

Revenue from contracts with customers

Sale of goods

The Company is into manufacturing, marketing and distribution of food products including purified water. Sales are recognized when control of the products is transferred, being when the products are shipped to the customer. Sales occur when the products have been shipped and either the Distributor has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and trade incentives. The rights of return and trade incentives give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Trade Incentives

The Company provides incentives to all customers on the achievement of the performance criteria on the signed incentive guide. Incentives are credited to the customer's account, available for purchase of products. To estimate the variable consideration for the expected future incentives, the Company applies the maximum achievement criteria of set targets.

The Sales thresholds contained in the signed incentive guide primarily drive the selected method that best predicts the amount of variable consideration. The Company then applies the requirements on constraining estimates of variable consideration and recognizes a liability for the expected future incentives.

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the

Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer.

The Company updates its estimates of refund liabilities and the corresponding change in the transaction price at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract

The Company pays sales commission to its employees for certain contracts that they obtain for sales of products. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under personnel expenses) because the amortisation period of the asset that the Company otherwise would have used is one year or less.

m) Advance payment to contractors

Advance payments represents payments made to contractors for ongoing construction projects as the year end date.

n) Finance income and finance costs

Net finance cost includes interest expense on borrowings as well as interest income on funds invested. Net finance cost also includes other finance income and expense, such as exchange differences on loans and borrowings and unwinding of the discount on provisions.

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

o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised 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 recognised 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 measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been statutorily 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 realised simultaneously.

p) Earnings per share

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

q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the

Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors (BOD) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

Segment results, assets and liabilities, that are reported to the BOD includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses and income tax assets and liabilities, net finance cost and amortisation of intangible assets.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

r) Dividends

Dividends are recognised as a 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 Companies and Allied Matters Act of Nigeria are written back to retained earnings.

s) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants related to income are recognized as deferred income and allocated into profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate.

The benefit of a government loan at below market rate of interest is treated as a government grant related to income.

The fair value of the government loan at below market rate of interest is estimated as the present value of all future cash flows discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating. The benefit of the government grant is measured as the difference between the fair value of the loan and the proceeds received.

t) Related parties

Related parties include the holding company and other 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 also considered to be 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.

4 Changes in accounting policies and disclosures

4.1 Changes in accounting policies and disclosures from new and amended standards adopted in current year

The Company applied IFRS 16 leases from 1 January 2019. A number of new standards were also effective from January 2019 but they do not have a material effect on the Company's financial statements. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at January 1 2019.

Accordingly the comparative information presented for 2018 is not restated-i.e. it is presented as previously reported under IAS 17 and related interpretations. The nature and effect of the changes as a result of adoption of this new accounting standard is described below;

i Impact of application of IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

Movement in the statement of financial position as result of applying IFRS 16

In thousands of naira	Property, Plant and Equipment	Prepayment	Total
Balance as at 31 December 2018	-	5,225,502	5,225,502
Balance transferred from prepayments to Right of Use as at 1 January 2019	4,425,910	(4,425,910)	-
Balance as at 1 January 2019	**4,425,910**	**799,592**	**5,225,502**

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously classified as finance leases

As at the time of transitioning, the Company had no lease classified as finance lease, hence, there was no impact in the financial statements.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the foregoing, as at 1 January 2019:

- Right-of -use assets of N4,425,910,000 were recognised and presented separately in the statement of financial position.
- Long Term Prepayments of N3,997,477,000 related to previous operating leases were derecognised.
- Prepayments of N428,433,000 related to previous operating leases were derecognised.

Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the company obtains substantially all the economic benefits from the use of that asset, and whether the company has the right to direct the use of the asset. The Company recognizes a right-of-use (ROU) asset and a lease liability (where applicable) at the lease commencement date, except for short term leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the heading property, plant and equipment.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets		
	Land N'000	Building N'000	Total N'000
As at 1 January 2019	4,102,547	323,363	4,425,910
Additions (Note 15)	-	401,936	401,936
Disposals	-	(155,069)	(155,069)
Depreciation expense	(104,700)	(182,017)	(286,716)
As at 31 December 2019	**3,997,847**	**388,213**	**4,386,059**

4.2 Other New and amended Standards effective in the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

IAS 12: Income Taxes

The ammendments clarify that the company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23: Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3: Business Combinations

The amendments clarify that when the company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11: Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.

4.3 New and revised IFRS Standards in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however the company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the company's consolidated financial statements.

IFRS 17: Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supercedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount , timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market rates and the impact of policyholders' options and guarantees.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure drafts *Amendments to IFRS 17* addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the standard and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contributions of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IFRS 3: Definitions of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create inputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business . Under the optional concentration test , the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020 , with early application permitted.

Ammendents to IAS 1 and IAS 8: Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS standards. The concept "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020 with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework,* which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to Refrences to the Conceptual Framework in IFRS Standards.* The document contains amendments to IFRS 2 , IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32

Not all amendments, however, update those pronouncements with regard to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010 , or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised conceptual framework.The amendments , where they are actually updates , are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

5 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRSs 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. The management of the Company revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the financial statements is judgmental. The items, subject to judgment, are detailed in the corresponding notes to the financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed below:

5.1 Critical accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

5.1.1 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of products include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

- **Determining the timing of satisfaction of sales of goods**

The Company concluded that revenue for sales of goods is to be recognised as a point in time; when the customer obtains control of the goods. The Company assess when control is transferred using the indicators below:

- The Company has a present right to payment for the goods;
- The Company has transferred physical possession of the asset ;
- The customer has the significant risks and rewards of ownership of the goods; and
- The customer has accepted the asset

5.2 Key sources of estimation uncertainty

5.2.1 Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Company uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 25.

5.2.2 Estimated useful lives and residual values of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2019 and that has not highlighted any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. For more details refer to note 3c.

5.2.3 Impairment testing

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available unobservable inputs that are developed based upon the best information available under the circumstances, which might include the Company's own data less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model.

The cash flows are derived from the budget for the next fifteen years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs is disclosed and further explained in Note 15b.

5.2.4 Provision for expected credit losses (ECL)of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 31(aii).

5.2.5 Estimating variable consideration for returns

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and trade incentives.

The Company developed a statistical model for forecasting sales returns. The model used the historical return data of each year to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company. The Company's expected trade incentives are analysed on a per customer basis. Determining whether a customer will be likely entitled to trade incentive will depend on the customer's historical incentive entitlement and accumulated performance to date.

The Company applied a statistical model for estimating expected trade incentives. The model uses the historical purchasing patterns and incentive entitlement of customers to determine the expected incentive percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and incentive entitlements of customers will impact the expected incentive percentages estimated by the Company.

6 Operating segments

(a) Basis of segmentation

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

For each of the strategic business units, the Company's Board of Directors (BOD) review internal management reports on a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

Segment	Description
Food	This includes the production and sale of MAGGI®, CERELAC®, SMA®, NAN®, LACTOGEN® and GOLDEN MORN™.
Beverages	This includes the production and sale of MILO®, MILO® ENERGY CUBE, NESCAFE®, MILO® READY-TO-DRINK (RTD) AND NESTLÉ PURE LIFE®.

The accounting policies of the reportable segments are the same as described in Notes 3.

Information regarding the results of each reportable segment is included in Note 7. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

7 Information about reportable segment

	Food		Beverage		Unallocated		Total	
In thousands of naira	2019	2018	2019	2018	2019	2018	2019	2018
External Revenues	176,087,166	168,171,774	107,948,089	98,102,847		-	284,035,255	266,274,621
Interest income	-	-	-	-	1,328,872	1,716,889	1,328,872	1,716,889
Interest expense	-	-	-	-	(2,267,094)	(2,606,774)	(2,267,094)	(2,606,774)
Depreciation	(4,611,873)	(4,442,657)	(2,838,770)	(2,463,630)	-	-	(7,450,643)	(6,906,287)
Impairment loss	-	(1,036,584)	-	(3,411,892)	-	-	-	(4,448,476)
Reportable segment profit before income tax	47,035,839	43,396,546	25,026,207	17,244,185	(938,222)	(889,885)	71,123,824	59,750,846

Assets and liabilities by reportable segments are not presented to the Chief Operating Decision Maker (Board of Directors) on a regular basis. Therefore, information on segment assets and liabilities has not been presented.

In 2018, the reportable segment profit before income was reported by sharing the total impairment on both segments. In 2019, the reportable segment profit before income tax reported in 2018 has been restated by sharing the impact of impairment directly attributed to each segment.

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

In thousands of naira

Revenues

There are no significant reconciling items between the reportable segment revenue and revenue for the year.

In thousands of naira	2019	2018
Profit or loss		
Total profit or loss for reportable segments	72,062,046	60,640,731
Other corporate expenses and income	(938,222)	(889,885)
Profit before income tax	71,123,824	59,750,846

Other material items 2019

There are no significant reconciling items between other material items for the reportable segments and Company total.

8 Geographical information

	2019		2018	
In thousands of naira	Revenue	Non-current assets	Revenue	Non-current assets
Nigeria	279,052,086	86,336,830	262,804,669	79,600,105
Niger	-	-	1,481,007	-
Togo	-	-	66,463	-
Ghana	1,989,479	-	1,686,124	-
Burkina Faso	2,942,872	-	66,462	-
Guinea	-	-	-	-
Other countries	50,818	-	169,896	-
Total revenue from contracts with customers	**284,035,255**	**86,336,830**	**266,274,621**	**79,600,105**

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

In 2019, the revenue from Burkina Faso was added to other countries. In 2019, the company has disclosed the revenue of Burkina Faso due to the significance in the total export value and has reflected 2018 comparative figures.

Major customer

Revenue from one customer does not represent up to 10% of the company's total revenue. Therefore, information on major customers is not presented.

9 Revenue

Revenue for the year which arose from sales of goods comprise:

In thousands of naira	2019	2018
Nigeria	279,052,086	262,804,669
Export	4,983,169	3,469,952
Total Revenue	**284,035,255**	**266,274,621**

9.1 Disaggregated revenue information

For the year ended 31 December 2019	Food	Beverage	Total
Goods transferred at a point in time			
Total revenue	176,087,166	107,948,089	284,035,255

Disaggregation of revenue—quantitative disclosure

The Company has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity.

The Company determines that the categories used in the investor presentations can be used to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

9.2 Contract balances

In thousands of Naira	2019	2018
Trade and other receivables (Note 21a)	65,820,188	42,175,062
Contract liabilities (Note 29)	5,974,399	3,858,793

Trade receivables are non-interest bearing and are generally on terms of 14 to 45 days. In 2019, N544,697 was recognised as provision for expected credit losses on trade receivables.

Contract liabilities include incentives yet to be paid to customers and advances received from cash customers

9.3 Performance obligations

Information about the Company's performance obligations are summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the product and payment is generally due within the customers credit days . Some contracts provide customers with a right of return and incentives which give rise to variable consideration subject to constraint.

10 Net finance cost

In thousands of Naira	2019	2018
Interest income on bank deposits	1,328,872	1,716,889
Finance income	**1,328,872**	**1,716,889**
Interest expense on financial liabilities	(2,229,738)	(2,510,705)
Net foreign exchange loss	(37,356)	(96,069)
Finance expense	**(2,267,094)**	**(2,606,774)**
Net finance cost	**(938,222)**	**(889,885)**

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N570 million (2018: N1,130 million) excluding the impact of foreign exchange differences.

11 Profit before income tax

(a) Profit before income tax is stated after charging or (crediting):

In thousands of Naira	Note	2019	2018
Depreciation	15(a)	7,450,643	6,906,287
Impairment	15(a)	-	4,448,476
Auditor's remuneration		38,000	35,000
Directors' remuneration	12 (c)	328,702	313,438
Personnel expenses	12 (a)	25,937,349	23,506,644
Loss/(Gain) on property, plant and equipment disposed		218,735	358,819
Net foreign exchange loss	10	37,356	96,069
General licence fees	32(b)	10,737,120	9,934,947

(b) Expenses by nature

In thousands of Naira	Note	2019	2018
Depreciation	15(a)	7,450,643	6,906,287
Impairment loss on property, plant and equipment	15(a)	-	4,448,476
Auditor's remuneration		38,000	35,000
Personnel expenses	12(a)	25,937,349	23,506,643
General licence fees	32(b)	10,737,120	9,934,947
Raw materials and consumables		110,714,113	104,147,275
Distribution expense		11,308,109	9,761,273
Advertising		4,954,981	4,491,770
Sales Promotion		15,454,353	13,488,566
Factory overheads		15,864,309	15,028,619
Other expenses		9,514,233	13,885,034
		211,973,210	**205,633,890**
Summarised as follows:			
Cost of Sales		155,888,473	152,354,445
Marketing and distribution expenses		46,076,786	43,489,890
Administrative expenses		10,007,950	9,789,555
		211,973,210	**205,633,890**

12 Personnel expenses

(a) Personnel expenses for the year comprise of the following:

In thousands of Naira	Note	2019	2018
Salaries, wages and allowances		12,536,952	12,300,255
Contributions to compulsory pension fund scheme		1,271,089	1,142,803
Contributions to defined contribution gratuity scheme		1,179,217	1,107,927
Employee short term bonus		1,294,473	944,879
Training, recruitment and canteen expenses		1,218,147	1,421,360
Medical expenses		617,602	572,134
Equity-settled share-based payment transactions	23(iv)	97,100	80,326
Other personnel expenses		7,722,769	5,936,960
	11	**25,937,349**	**23,506,644**

(b) Employees of the Company, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension costs and certain benefits) in the following ranges:

N		N	2019	2018
1,400,001	-	1,600,000	-	-
1,600,001	-	1,800,000	24	20
1,800,001	-	2,000,000	1	-
2,000,001	-	2,500,000	27	74
2,500,001	-	3,000,000	30	98
3,000,001	-	3,500,000	219	119
3,500,001	-	4,000,000	109	264
4,000,001	-	4,500,000	215	408
4,500,001	-	5,000,000	373	158
5,000,001	-	7,000,000	670	567
7,000,001	and	above	551	479
			2,219	**2,187**
The number of full-time persons employed per function as at 31 December was as follows:				
Production			1,686	1,674
Supply chain			61	65
Sales and marketing			355	313
Administration			117	135
			2,219	**2,187**

(c) Directors remuneration

Remuneration paid to directors of the Company was as follows:		
In thousands of naira	**2019**	**2018**
Directors' Emoluments:		
Non Executive directors	29,204	28,200
Executive directors	299,498	285,238
	328,702	**313,438**
The directors' remuneration shown above includes:		
In thousands of naira	**2019**	**2018**
Chairman	13,500	13,500
Highest paid director	218,081	210,478
Other directors received emoluments in the following ranges:		
	2019	**2018**
N N	Number	Number
- 1,000,000	2	2
1,000,001 25,000,000	2	2
25,000,001 35,000,000		
Above 35,000,000	1	1
	5	**5**

13 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:

In thousands of naira	**2019**	**2018**
Current tax expense		
Current year income tax	22,709,572	15,008,378
Current year tertiary education tax	1,736,514	1,266,327
Reversal of over-provision of prior year tax	(88,053)	(547,994)
	24,358,033	**15,726,711**
Deferred tax expense		
Origination and reversal of temporary differences	1,082,678	1,016,109
Total income tax expense	**25,440,711**	**16,742,820**

(b) Current tax liabilities

In thousands of naira	2019	2018
Movement in current tax liabilities account during the year was as follows		
At 1 January	23,629,987	15,098,670
Charge for the year	24,358,033	15,726,711
Payments in the year	(16,186,651)	(7,195,394)
At 31 December	**31,801,369**	**23,629,987**

(c) Reconciliation of effective tax rate

In thousands of naira	2019	2019	2018	2018
Profit for the year		45,683,113		43,008,026
Total income tax expense		25,440,711		16,742,820
Profit excluding income tax		**71,123,824**		**59,750,846**
Income tax using the Company's domestic tax rate	30.00%	21,337,147	30.00%	17,925,254
Non-deductible expenses	3.37%	2,394,821	0.36%	213,970
Tax exempt income	(0.48%)	(338,740)	(0.68%)	(407,322)
Tax incentives	(0.33%)	(235,593)	(0.24%)	(140,827)
Recognition of previously unrecognised tax items	1.46%	1,037,010	(2.23%)	(1,334,516)
Other income related taxes	2.44%	1,736,514	2.12%	1,266,327
Prior year (over)/under provision of CIT	(0.12%)	(88,053)	(0.92%)	(547,994)
Other tax differences	(0.57%)	(402,394)	(0.39%)	(232,072)
	35.8%	**25,440,711**	**28.02%**	**16,742,820**

14 Earnings and declared dividend per share

a) Basic earnings and declared dividend per share are based on profit attributable to the owners of the Company for the year of N45,633,114 (2018: N43,008,026) and declared dividend of N50,334million (2018: N37,651 million) respectively and on 792,656,252 (2018: 792,656,252) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

In thousands of Naira	Note	2019	2018
		N'000	N'000
Earnings from continuing operations for the purpose of basic earnings per share		45,683,113	43,008,026
Earnings from continuing operations for the purpose of diluted earnings per share		45,683,113	43,008,026
		Number ('000)	Number ('000)
Weighted average number of ordinary shares as at 31 December	23	792,656	792,656
Basic (Naira)		57.63	54.26
Diluted (Naira)		57.63	54.26

(b) Diluted earnings per share of N57.63 (2018: N54.26) is based on the profit attributable to ordinary shareholders of N45,683,114 (2018: N43,008,026), and on the 792,656,252 (2018: 792,656,252) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue and ranking for dividend during the current and preceding years after adjustment for the effects of all dilutive (Nil, 2018: Nil) potential ordinary shares.

15 Property, plant and equipment (PPE)

(a) The reconciliation of the carrying amount is as follows:

In thousands of naira	Note	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
Cost								
Balance at 1 January 2018		31,879,120	62,674,207	2,823,927	8,128,949	1,192,957	5,780,835	112,479,995
Additions		380,365	1,350,095	711,490	1,379,449	172,982	8,732,921	12,727,302
Disposals		(297,618)	(219,697)	(265,124)	(61,648)	(185,701)	-	(1,029,787)
Reclassification		632,821	2,356,469	247,649	1,698,536	220,640	(5,156,114)	-
Balance at 31 December 2018		32,594,688	66,161,074	3,517,942	11,145,286	1,400,878	9,357,642	**124,177,510**
Balance at 1 January 2019		32,594,688	66,161,074	3,517,942	11,145,286	1,400,878	9,357,642	124,177,510
Impact of IFRS 16 on leases		-	-	-	-	-	-	-
Additions		191,682	3,378,216	994,164	857,872	190,807	7,748,693	13,361,434
Disposals		-	(877,433)	(392,608)	(101,101)	(5,934)		(1,377,076)
Reclassification		498,251	3,597,242	81,569	627,084	200,153	(5,004,299)	-
Balance at 31 December 2019		33,284,621	72,259,099	4,201,067	12,529,141	1,785,904	12,102,035	**136,161,868**
Accumulated depreciation and impairment losses								
Balance at 1 January 2018		5,645,971	25,724,018	1,619,024	6,091,795	1,021,245	-	40,102,053
Depreciation	11 (a)	819,408	4,141,967	507,644	1,244,304	192,965	-	6,906,287
Impairment		1,867,843	2,575,092	-	5,541	-	-	4,448,476
Disposals		(813)	(136,768)	(260,894)	(60,822)	(185,533)	-	(644,830)
Balance at 31 December 2018		8,332,409	32,304,309	1,865,774	7,280,818	1,028,677	-	**50,811,986**
Balance at 1 January 2019		8,332,409	32,304,309	1,865,774	7,280,818	1,028,677	-	50,811,986
Depreciation	11 (a)	850,700	3,802,999	643,139	1,471,098	267,171	-	7,035,106
Impairment		-	-	-	-	-	-	-
Disposals		-	(595,324)	(387,009)	(95,070)	(1,500)	-	(1,078,904)
Balance at 31 December 2019		9,183,109	35,511,983	2,121,902	8,656,846	1,294,348	-	**56,768,187**
Carrying amounts								
At 1 January 2018		26,233,149	36,950,189	1,204,903	2,037,154	171,712	5,780,835	**72,377,942**
At 31 December 2018		24,262,279	33,856,765	1,652,168	3,864,468	372,201	9,357,642	**73,365,523**
At 31 December 2019		24,101,513	36,747,116	2,079,165	3,872,295	491,556	12,102,035	**79,393,681**

(b) Impairment loss recognised in property, plant and equipment

(i) Abaji Factory

In 2018, due to the low capacity utilisation of the Abaji water Factory when compared to the forecast, the Company tested the entire Factory for impairment and recorded an impairment loss of N3.4 billion in respect of the assets in the cash generating unit (CGU).

Accordingly, management estimated the recoverable amount of the CGU in the year. The recoverable amount was estimated based on the value in use of the asset using a discount rate of 17.2% . This impairment loss was recorded in the cost of goods sold in the statement of profit or loss and other comprehensive income. In the current year, the assets have been re-assessed for impairment and no additional impairment was recorded as the results were not significant.

(ii) Extruder

In 2018 the impairment of this asset was triggered by the low capacity utilisation of the asset. The Company tested the CGU for impairment and an impairment loss of N995 million was recorded. The recoverable amount was determined based on its value in use using a discount rate of 19.5%. This impairment loss was recorded in the cost of goods sold in the statement of profit or loss and other comprehensive income. In the current year, the assets have been re-assessed for impairment and no additional impairment was recorded as the results were not significant.

(c) Right of Use Assets

Right of Use Assets	Land	Building	Total
	N'000	N'000	N'000
Gross Book Value Balance			
As at 31st December 2018	-	-	-
As at 1 January 2019			
Transferred from Prepayments	4,102,547	323,363	4,425,910
Additions	-	401,936	401,936
Disposals	-	(155,069)	(155,069)
Balance as at 31st December 2019	**4,102,547**	**570,230**	**4,672,777**
Depreciation and impairment			
As at 1 January 2019	-	-	-
Depreciation for the year	104,701	182,017	286,718
Balance as at 31st December 2019	**104,701**	**182,017**	**286,718**
Carrying amount			
As at 31 December 2018	-	-	-
As at 31 December 2019	**3,997,846**	**388,213**	**4,386,059**

(d) Capital commitments

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

In thousands of naira	2019	2018
Approved and contracted	10,454,559	3,422,287
Approved but not contracted	4,299,401	11,106,471
	14,753,960	**14,528,758**

16 Long term receivables

Long term receivables represent long-term portion of loans granted to the Company's employees and amount receivable from customers on the trade assets deployed which are expected to be paid after one year from the date of the financial statements. This is analysed below:

	2019	2018
Long term Staff receivable	2,293,175	1,989,120
Amount receivable from Customers on account of trade assets deployed	263,915	247,985
	2,557,090	**2,237,105**

17 Prepayments

Prepayment comprises:

In thousands of naira	2019	2018
Rent prepaid	52,433	4,497,437
Insurance prepaid	645,564	517,837
Other prepayment	203,521	210,228
	901,518	**5,225,502**

Prepayments are analysed into short and long term assets based on the period covered by the prepayment:

	2019	2018
Current Asset	901,518	1,228,025
Non-current Asset	-	3,997,477
	901,518	**5,225,502**

Other prepayment represents payments made for goods and services which will be consumed within the next financial year. The movement in Non-current asset prepayments Nil (2018: N3.997 billion) represents the amount transfered to Right of Use Assets in line with IFRS 16 requirements.

18 Deferred tax liabilities

Recognised deferred tax (assets)/liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of naira	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Property, plant and equipment	-	-	14,362,211	12,760,600	14,362,210	12,760,600
Employee benefits	(1,378,537)	(864,215)	-	-	(1,378,537)	(864,215)
Unrealised exchange loss	(223,437)	(472,585)	-	-	(223,437)	(472,585)
Share based payment	(39,384)	(49,532)	-	-	(39,384)	(49,532)
Total trade spend allowance diff.	(263,906)				(263,906)	
Tax (asset)/liabilities	(1,905,264)	(1,386,332)	14,362,211	12,760,600	12,456,944	11,374,268
Net tax liabilities	**(1,905,264)**	**(1,386,332)**	**14,362,211**	**12,760,600**	**12,456,944**	**11,374,268**

Movement in temporary differences during the year

In thousands of naira	Balance 1 January 2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2018	Effect of adoption of new accounting standards	Balance 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2019
Property, plant and equipment	13,647,062	(886,462)	-	12,760,600	-	12,760,600	1,601,610	-	14,362,210
Employee benefits	(728,295)	(135,920)	-	(864,215)	-	(864,215)	(514,321)	-	(1,378,537)
Unrealised exchange difference	(2,479,992)	2,007,407	-	(472,585)	-	(472,585)	249,148	-	(223,437)
Share based payment	(33,904)	(15,628)	-	(49,532)	-	(49,532)	10,148	-	(39,384)
Total trade spend allowance diff.							(263,906)		(263,906)
	10,404,871	**969,397**	**-**	**11,374,268**	**-**	**11,374,268**	**1,082,678**	**-**	**12,456,944**

At 31 December 2019 (2018: Nil), there was no unrecognised deferred tax asset or liability.

19 Inventories

In thousands of naira	2019	2018
Raw and packaging materials	7,243,196	8,112,500
Product in process	1,016,895	841,045
Finished products	9,023,827	6,797,789
Engineering spares	4,677,194	4,141,920
Goods in transit	11,317,832	3,230,766
	33,278,944	**23,124,020**

The value of raw and packaging materials, changes in finished products and product in process consumed during the year and recognised in cost of sales amounted to N110.714 billion (2018: N104.147 billion). In 2019, the write-down of inventories to net realisable value amounted to N2.652 billion (2018: N2.295 billion) and the movement is included in cost of sales.

20 Right of return assets and refund liabilities

In thousands of naira	2019	2018
Right to returned goods asset	58,763	351,995
Refund liabilities		
Arising from rights of return	107,082	615,211

The right to returned goods asset represents the Company's right to recover products from customers where customers exercise their right of return under the Company's 180-day returns policy. The Company uses its accumulated historical experience to estimate the number of returns in a year using the expected value method.

21 Trade and other receivables

In thousands of naira	Note	2019	2018
Trade receivables	21(a)	21,214,923	18,897,443
Loans to key management personnel		32,662	17,181
Staff loans		2,833,807	2,469,219
Trade receivables due from related parties	32(e)(i)	3,525,020	2,533,699
Deposit with Company registrars for dividend	23(b)ii	2,690,660	2,154,383
Allowance for expected credit losses	30(a)(ii)	(4,211,748)	(3,709,060)
		26,085,324	**22,362,865**
Advance payment to suppliers		22,239,480	11,778,913
Deposit for Import		18,882,050	9,365,047
Other receivables		1,170,424	905,342
		68,377,278	**44,412,167**
Non-current - reclassified to long term receivables	16	2,557,090	2,237,105
Current		65,820,188	42,175,062
		68,377,278	**44,412,167**

21 (a) Trade receivables

In thousands of naira	Note	2019	2018
Receivables from third-party customers		21,214,923	18,897,443
Allowance for expected credit losses	30(a)(ii)	(4,211,748)	(3,705,991)
		17,003,175	**15,191,452**

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in Note 31. For terms and conditions relating to related party receivables, refer to Note 34.

22 Cash and cash equivalents

In thousands of naira	2019	2018
Cash and bank balances	2,676,520	10,898,112
Short term investment	4,301,551	4,863,924
Cash and cash equivalents in the statement of financial position	6,978,071	15,762,036
Bank overdrafts used for cash management purposes	(2,736,058)	(1,393,678)
Cash and cash equivalents in the statement of cash flows	**4,242,013**	**14,368,358**

The Company's exposure to credit risk for cash and cash equivalents and impairment losses related to short-term investment are disclosed in Note 31.

23 Capital, reserves and dividends

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares	2019	2018
At 31 December	792,656,252	792,656,252

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

In number of shares	2019	2018
At 31 December	792,656,252	792,656,252
Nominal value (In thousands of naira)	396,328	396,328

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

(iii) Share premium

In thousands of Naira	2019	2018
The premium on the 792,656,252 ordinary shares of 50 kobo each is as follows:		
Share premium	32,262	32,262

(iv) Share based payment reserves

The Company's ultimate holding company, Nestlé Switzerland (Nestlé S.A.) operates an Equity Incentive Scheme for its management employees around the world known as the Performance Share Unit Plan (PSUP). Under the PSUP, Nestlé S.A. awards Performance Stock Units (PSU) to employees that entitle participants to receive freely disposable Nestlé S.A. shares or an equivalent amount in cash at the end of a three-year restriction period.

Terms and conditions of the Restricted Share Unit Plan

The terms and conditions relating to the grants of the PSUP are as follows;

Grant date/employees entitled	Number of instruments	Vesting Conditions
Shares awarded to key management on 1 March 2017	3,442	3 years' service
Shares awarded to key management on 1 March 2018	4,028	3 years' service
Shares awarded to key management on 1 March 2019	3,771	3 years' service

The fair value of the PSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, adjusted for the present value of dividends that participants are not entitled to receive during the restricted period of 3 years. The weighted average fair value at the date of exercise of the restricted stock units granted in 2019 is N83,854,817 (2018:N118,500,287)

Total share based payment expense recognised in the profit or loss for the year amounted to N97,398,773 (2018: N80,326,199).

The share based payment reserve comprises the cumulative weighted average fair value of performance stock unit plan granted to deserving employees which have not vested at the end of the year.

The movement in share based payment is as follows:

In thousands of naira	2019	2018
At 1 January	154,788	147,236
Share based payment contribution	97,100	80,326
Share based payment recharge	(128,812)	(72,774)
At 31 December	**123,076**	**154,788**

(b) Dividends

(i) The following dividends were declared by the Company during the year:

	2019		2018	
	Per Share (N)	N'000	Per Share (N)	N'000
Final dividend	38.50	30,517,266	27.50	21,798,046
Interim dividend	25.00	19,816,406	20.00	15,853,126
	63.50	**50,333,672**	**47.50**	**37,651,172**

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

After the respective reporting dates, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax implications.

	2019	2018
Naira per qualifying ordinary share	N45.00	N38.50

(ii) Movement in dividend payable

In thousands of naira	Note	2019	2018
At 1 January		5,574,373	12,554,561
Declared dividend		50,333,672	37,651,172
Unclaimed dividend transferred to retained earnings		(19,415)	(77,165)
Payments		(49,003,305)	(44,554,195)
At 31 December	28	**6,885,325**	**5,574,373**

As at 31 December 2019, N2.691 billion (2018: N2.154 billion) of the total dividend payable is held with the Company's registrar, Greenwich Registrars and Data Solutions Limited. The balance of N4.194 billion represents unclaimed dividend (2018: N3.420 billion) which was returned to the Company by the Registrar and has been invested in treasury bills.

24 Loans and borrowings

(a) This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For information about the Company's exposure to interest rate, foreign currency and liquidity risks, see note 31.

Loans and borrowing as at 31 December is as follows:

In thousands of naira	2019	2018
Unsecured bank loans	4,896,294	1,347,399
Loans from related party	5,578,994	5,600,553
	10,475,288	**6,947,952**

Loans and borrowings are analysed into short and long term liabilities based on the time the repayment obligation falls due as follows:

	2019	2018
Current liabilities	4,958,904	1,026,458
Non-current liabilities	5,516,384	5,921,494
	10,475,288	**6,947,952**

Notes to the financial statements
For the year ended 31 December 2019

Terms and debt repayment schedule

In thousands of naira	Notes	Currency	Nominal interest rate	Year of maturity	2019 Face Value	2019 Carrying amount	2018 Face Value	2018 Carrying amount
Loan from related party	(i)	USD	LIBOR + 7.83%	2024	5,578,994	5,578,994	5,600,553	5,600,553
Unsecured bank loan	(ii)	NGN	11.25%	2020	4,500,000	4,500,000		
Unsecured bank loan	(iii)	NGN	10%	2020	396,294	396,294	1,347,399	1,347,399
Total Interest bearing liabilities					10,475,288	10,475,288	6,947,952	6,947,952

The bank loans are secured by a negative pledge on the Company's assets in line with their relative exposures.

(i) An additional US$ 30 million was approved for the Company by Nestle S.A. in 2017 of which only US$15.2 million was drawn down as at 31 December, 2017.The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from April 2017. The facility which is unsecured attracts interest at 3 months USD Libor plus a margin of 783 basis points.

(ii) A working capital loan facility of NGN 10 billion was obtained from Stanbic IBTC bank in December 2019 with a tenure of three months. The loan was fully drawn down whilst NGN 5.5 billion out of it was repaid before 31 December 2019.

(iii) A N5.7 billion facility under the Bank of Industry (BOI) Scheme with a tenure of 7 years (inclusive of a moratorium period of 1 year on principal only) commencing from May 2013. The facility was priced at 10.0%. The facility was fully drawn down in 2013.

(c) Reconciliation between opening and closing balances of the loan and borrowings is shown below

In thousands of naira	2019	2018
At 1 January	6,947,952	20,477,910
Addition	10,000,000	-
Repayment -- Intercompany loan	(75,353)	(12,543,788)
Repayment -- Bank loan	(6,451,105)	(1,114,742)
Accrued Interest	62,610	75,353
Exchange (Gain) loss	(8,816)	53,219
At 31 December	**10,475,288**	**6,947,952**
Analysed as follows		
Current	4,958,904	1,026,458
Non-Current	5,516,384	5,921,494
	10,475,288	**6,947,952**

25 Employee Benefits

Other long term employee benefits

Other long term employee benefits represents the present value of unfunded long service award given to deserving members of staff of the Company.

The movement in the present value of the other long term employee benefits during the year was as follows:

In thousands of naira	2019	2018
Balance at 1 January	2,700,673	2,275,921
Expense for the year	2,000,074	699,084
Payments during the year	(392,820)	(274,332)
Balance at 31 December	**4,307,927**	**2,700,673**

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) fall under three broad categories. These assumptions depict management's estimate of the likely future experience of the Company.

Financial Assumptions

	2019	2018
Long term average Discount rate (p.a.)	11%	16%
Average Pay Increase (p.a.)	12%	12%
Benefit awards inflation (p.a)	7%	-

In prior years, the increase in non-salaried benefits was held constant however this was adjusted in 2019 by 7% based on the Company's estimated inflation on these benefits.

Demographic assumptions

Assumptions regarding future mortality are based on published statistics and mortality tables.

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK. This is due to unavailability of published reliable demographic data in Nigeria.

Sample age	Number of deaths in year out of 10,000 lives	
	2019	2018
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from Service

Withdrawal from service means retirement; voluntary or compulsory disengagement from service.

Age Band	Rate	
	2019	2018
Less than or equal to 30	1.0%	4.0%
31 – 34	2.0%	4.0%
35 – 39	4.0%	3.0%
40 – 54	7.0%	2.0%
55 – 59	2.0%	1.0%

Sensitivity analysis

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

31 December 2019	Employee benefit obligation	
Effect in thousands of Naira	Increase	Decrease
Benefit awards inflation (1% movement)	33,684	(30,560)
Discount Rate (1% movement)	(273,421)	307,518
Future salary growth (1% movement)	289,752	(261,600)
Mortality Experience (1 year movement)	(123,465)	133,985

The table below indicates the maturity profile for defined benefit obligations:

In thousands of Naira	2019
Within the next 12 months (next annual reporting period)	408,304
Between 2 and 5 years	1,495,884
Beyond 5 years	3,364,887
Total expected payments	**5,269,075**

26 Pension payable

The balance on the pension payable account 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:

In thousands of Naira	2019	2018
Balance at 1 January	11,790	15,266
Charged for the year	2,417,403	2,244,733
Payments during the year	(2,397,353)	(2,248,209)
Balance at 31 December	**31,840**	**11,790**

Pension Payable is included in other payables and accruals in Note 29

27 Provisions

In thousands of Naira

Provisions represent management's estimate of the Company's probable exposure to tax and other liabilities at the end of the year.

	2019	2018
Balance at 1 January	1,208,920	898,868
Provisions made during the year	414,384	422,284
Provisions used during the year	(65,744)	(112,232)
Balance at 31 December	**1,557,560**	**1,208,920**
Current	**1,557,560**	**1,208,920**

28 Trade and other payables

In thousands of naira	Note	2019	2018
Trade payables		47,210,454	27,086,058
Other payables and accruals		18,532,514	15,926,161
Trade payables due to related parties	32(e)(i)	5,771,765	11,797,862
Dividend payable	23(b)(ii)	6,885,325	5,574,373
		78,400,058	**60,384,454**

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31

29 Contract Liabilities

Certain liabilities arose as a result of the Company's contract with the Customers in line with IFRS 15 as analysed below.

In thousands of naira	2019	2018
Customer's down payment	1,522,255	1,154,109
Trade incentives	4,452,144	2,704,684
	5,974,399	**3,858,793**

30 Financial instruments

(a) Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (see (a)(ii)
- liquidity risk (see (a)(iii)
- market risk (see (a)(iv)
- operational risk (see (a)(v)

(I) 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 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 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 Audit 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. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both senior Management and the Audit Committee.

(II) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.
The Company's principal exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In order to minimise credit risk, the Company has tasked its Credit Management Committee to develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Credit Management Committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Management has established a customer/distributor activation process under which each new customer is analysed individually for credit worthiness before the Company's distributorship agreement standard payment and delivery terms and conditions are offered to seal the distributorship arrangement. The Company's review includes external ratings, when available, and in some cases bank references.

Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Commercial Manager; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash or prepayment basis. The Company's payment and delivery terms and conditions offered to customers provide various credit limits based on individual customers.

The Company also initiated a financing tripartite agreement with the Company's bankers and some selected customers. The objective of this agreement is to ensure consistent cash inflow from customers for goods purchased. The Company's most significant customers have been activated on this financing scheme for over two years and this has reduced losses incurred on trade receivables. 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 wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Trade and other receivables relate mainly to the Company's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the commercial manager, and future sales are made on a cash or prepayment basis.The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

The Company has an order approval matrix which provides guidelines for the various approval authorisation limits for customers, based on the risk grading of the customer and the percentage by which the customer exceeds his credit limit. The approval responsibility is allocated to the Sales Controller, Finance and Control Director and other Senior officials. 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, 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 for similar financial assets.

Credit risk from balances with banks and financial institutions is managed by Nestle Treasury Center in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed periodically, and may be updated at any point in the year subject to approval of the Asset and Liability Management Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The carrying amount of financial assets represents the maximum credit exposure.

i Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of naira	Note	2019	2018
Trade and other receivables	21	26,085,324	22,362,865
Cash	22	6,978,071	15,762,036
		33,063,395	**38,124,901**

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

		Carrying amount	
In thousands of naira	Note	2019	2018
Distributors	21	17,003,175	15,191,452
Related parties	21	3,525,020	2,533,699
Loans to key management personnel	21	32,662	17,181
Staff loans and advances	21	2,833,807	2,469,219
Registrar	21	2,690,660	2,154,383
		26,085,324	**22,365,934**

The Company's most significant customer accounts for N920.5million (2018: N714 million) of the trade and other receivables carrying amount at 31 December 2019 .

ii Impairment losses

Trade receivables

For trade receivables, the Company applied the simplified approach in computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL).

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 30(ii). The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2019 using a provision matrix:

31 December 2019	Trade receivables Days past due						
In thousands of naira	Current	1-30 days	30 -60 days	61 - 90 days	91 - 120 days	>120 days	Total
Expected credit loss rate	0.4%	0.4%	30.0%	70.0%	80.0%	100.0%	
Estimated total gross carrying amount at default	10,838,966	5,554,909	854,281	122,547	220,630	3,623,590	21,214,923
Expected credit loss	(47,124)	(22,109)	(256,284)	(85,937)	(176,704)	(3,623,590)	(4,211,748)
	10,791,842	**5,532,800**	**597,997**	**36,610**	**43,926**	**-**	**17,003,175**

31 December 2018	Trade receivables Days past due						
In thousands of naira	Current	1-30 days	30 -60 days	61 - 90 days	91 - 120 days	>120 days	Total
Expected credit loss rate	0.1%	0.1%	0.1%	50.4%	75.6%	100.0%	
Estimated total gross carrying amount at default	9,914,792	5,098,978	166,779	31,428	63,450	3,622,016	18,897,443
Expected credit loss	(13,242)	(6,721)	(217)	(15,847)	(47,947)	(3,622,016)	(3,705,989)
	9,901,550	**5,092,257**	**166,562**	**15,581**	**15,503**	**-**	**15,191,453**

Set out below is the movement in the allowance for expected credit losses of trade receivables:

In thousands of naira	2019	2018
Balance as at 1 January 2019	3,705,991	3,534,022
Provision for expected credit losses	544,657	199,860
Write-off	(38,900)	(27,891)
Changes in credit risk parameters	-	-
Balance at 31 December 2019	**4,211,748**	**3,705,991**

The impairment loss as at 31 December 2019 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 are still collectible, based on historical payment behavior and extensive analysis of the underlying customers' credit ratings. The impairment loss is included in administrative expenses.

Write offs are made based on management's assessment that all realistic prospects of recovery have been explored. They may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(III) 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.

Typically, the Company ensures that it has 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 contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 December 2019							
In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	4,896,294	4,896,294	(4,896,294)	(396,294)		-	-
Unsecured intercompany loans	5,578,994	5,578,994	-	-	-	(5,578,994)	-
Trade and other payables	78,400,058	78,400,058	(78,400,058)	-	-	-	-
	88,875,346	**88,875,346**	**(83,296,352)**	**(396,294)**	**-**	**(5,578,994)**	**-**

31 December 2018							
In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	1,347,399	1,347,399	(475,553)	(475,553)	(396,294)	-	-
Unsecured intercompany loans	5,600,553	5,600,553				(5,600,553)	-
Trade and other payables	60,384,454	60,384,454	(60,384,454)	-	-	-	-
	67,332,406	**67,332,406**	**(60,860,007)**	**(475,553)**	**(396,294)**	**(5,600,553)**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Sensitivity analysis

A strengthening of the Naira, as indicated below, against the Euro and US Dollar at 31 December would have increased (decreased) equity and 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.

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed for USD and Euro being the most significant currency risk the Company is exposed to and on the same basis for 2018, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Effect in thousands of Naira	Equity	Profit or loss
31 December. 2019		
Euro (10 percent strengthening)	(1,023,278)	(1,023,278)
USD (10 percent strengthening)	(1,048,332)	(1,048,332)
31 December. 2018		
Euro (10 percent strengthening)	(868,971)	(868,971)
USD (10 percent strengthening)	(828,158)	(828,158)

ii Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling LIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates. The Board of Directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

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

	Carrying amount	
In thousands of naira	2019	2018
Fixed rate instruments		
Financial assets	4,301,551	4,863,924
Financial liabilities	4,896,294	1,347,399
	9,197,845	**6,211,323**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	5,578,994	5,600,553
	5,578,994	**5,600,553**

Fair value sensitivity analysis for fixed rate instruments.

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 reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
31 December. 2019				
Variable rate instruments	(55,790)	55,790	(55,790)	55,790
Cash flow sensitivity (net)	(55,790)	55,790	(55,790)	55,790
31 December. 2018				
Variable rate instruments	(56,006)	(56,006)	(56,006)	(56,006)
Cash flow sensitivity (net)	(56,006)	(56,006)	(56,006)	(56,006)

(V) 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 behavior. 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 risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of transactions
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(b) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(I) 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 measurement date. Fair value for short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purposes, at each annual reporting date.

(II) Non-derivative financial liabilities

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.

(III) Share-based payment transactions

The fair value of the restricted stock unit plan is measured based on market prices of the awarded shares on the grant date adjusted for the present value of dividends that participants are not entitled to receive during the restricted period of 3 years.

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:

Assets measured at fair value

There are no financial assets and liabilities that are carried at fair value. As such the fair value hierarchy has not been disclosed.

Financial assets measured at amortized cost

In thousands of naira	2019		2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Long term receivables	2,557,090	2,557,090	2,237,105	2,237,105
Loans and receivables	23,528,234	23,528,234	20,125,760	20,125,760
Cash Balance	6,978,071	6,978,071	15,762,036	15,762,036
	33,063,395	**33,063,395**	**38,124,901**	**38,124,901**

In thousands of naira	2019		2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities measured at amortized cost				
Unsecured intercompany loan	5,578,994	5,578,994	5,600,553	5,600,553
Secured bank loans	4,896,294	4,896,294	1,347,399	1,347,399
Bank overdraft	2,736,058	2,736,058	1,393,678	1,393,678
Trade and other payables	78,400,058	78,400,058	60,384,454	60,384,454
	91,611,404	**91,611,404**	**68,726,085**	**68,726,085**

The fair value of the financial assets and liabilities are determined based on level 3 inputs of the fair value hierarchy. At year end, the carrying amounts of loans and receivables and trade and other payables reasonably estimated their fair values.

(c) 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. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

In thousands of naira	2019	2018
Total liabilities	147,816,685	112,113,936
Cash Balance	(6,978,071)	(15,762,036)
Net Debt	**140,838,614**	**96,351,901**
Total Equity	**45,557,630**	**50,220,486**
Debt to capital ratio at December 31	**3.09**	**1.92**

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.

(IV) Market risk

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

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

(i) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of Company, primarily the Naira. The currencies in which these transactions primarily are denominated are Euro, US Dollars (USD), Pounds Sterling (GBP) and Swiss Francs (CHF). 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.

The Company monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their holdings of financial instruments.

The Company manages the transactional exposures in accordance with specific principles which are in line with the Company's business needs. These include balancing the sources of financial instruments. Exchange difference recorded in the statement of comprehensive income represented a gain of N6.5 million (2018: N96.1 milion). They are allocated to the appropriate headings of expenses by function.

Financial instruments analysed by currency is as follows

•	USD	
•	Euro	Euro
•	GBP	Pounds Sterling
•	ZAR	South African Rand
•	SGD	Singaporean Dollar
•	XOF	Ivorian CFA
•	CHF	Swiss Franc
•	JPY	Japanese Yen

Notes to the financial statements

For the year ended 31 December 2019

Amounts in thousands	31 December 2019										
	NGN	Euro	USD	CHF	XOF	ZAR	SGD	GBP	GHS	XAF	JPY
Unsecured intercompany loans	-	-	(15,373)	-	-	-	-	-	-	-	-
Amount due from related parties	954,331	4,559	1,369	83							-
Amount due to related parties	(2,826,495)	(5,734)	3,003	(4,129)	(298,598)	(1,527)	(52)	75	-	(9,573)	-
Trade payables	(29,332,843)	(23,986)	(17,885)	(470)	(11,663)	-	-	(59)	-	-	(3,778)
Net exposure	(31,205,007)	(25,161)	(28,886)	(4,516)	(310,261)	(1,527)	(52)	16	-		(3,778)

Amounts in thousands	31 December 2018										
	NGN	Euro	USD	CHF	XOF	ZAR	SGD	GBP	GHS	XAF	
Unsecured intercompany loans		-	(15,200)	-	-	-	-	-	-	-	
Amount due from related parties	80,485	2,960	3,269					16	-	-	
Amount due to related parties	(93,842)	(14,130)	(14,103)	(1,544)		-	-	(6)	-	(20,466)	
Trade payables	(22,071,658)	(13,604)	(985)	(1,133)	(1,285,315)	-	-	(88)	-	-	
Net exposure	(22,085,016)	(24,774)	(27,020)	(2,677)	(1,285,315)	-	-	(77)	-	(20,466)	

The significant exchange rates applied during the year is as follows:

	Average rate		Year end spot rate	
	2019	2018	2019	2018
Euro	404.93	426.62	406.69	415.84
United states dollar (USD)	361.49	361.92	362.92	363.50

31 Contingencies

(a) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N289 million as at 31 December 2019 (2018: N514 million). While the contingent assets in respect of pending litigations amounted to N782 million for the year ended 2019 (2018:N584 million), in the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

(b) Financial commitments

In the normal course of business, the company uses letters of credit to import materials. The total value of open letters of credit as at 31 December was N163.4 million (2018: N354.8 million). The Company also obtained bank guarantees with a value of N559.8 million (2018: N423.1 million).

32 Related parties

(a) Parent and ultimate controlling party

As at the year ended 31 December 2019, Nestlé Switzerland (Nestlé S.A.), the ultimate holding Company owned 66.18% (2018: 66.18%) of the issued share capital of Nestlé Nigeria Plc.

(b) Transactions with related parties

General License Fee Agreement

Nestlé Nigeria Plc has a general license fee agreement with Societe Des Produits Nestlé S.A., for the provision of technical and other support services. The agreement was made with the approval of the National Office for Technology Acquisition and Promotion and payments are made to Societe Des Produits Nestlé S.A. The agreement was renewed in 2018 for a period of three (3) years, with effect from January 1, 2018. The technical fee recognised in the current year was N10.737 billion (2018: N9.935 billion). See Note 11a and 11b.

Shared Service Agreement

Nestlé Nigeria Plc also has an agreement with Nestlé Central and West Africa Limited (Nestlé CWA) whereby Nestlé CWA provides and charges for certain common shared services to the Company at a service cost. Service cost as defined by the terms of the contract means: all direct and indirect expenses charges, overheads and administration costs reasonably incurred by Nestlé CWA from time to time during the term of the agreement in providing the shared services, plus a 4% on the reimbursable cost of Nestlé Business Services and Operational and Commercial Services as allocated among the various countries in the region. The services provided by Nestlé CWA includes transactionary services as well as planning and management functions.

Sourcing of Raw Materials and Finished Products

Additionally, the Company sources part of its raw materials and finished products through companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland.

Agency and Administration Service Agreement

Nestlé Nigeria Plc has an agreement with Cereal Partners Nigeria Limited (CPNL) for the importation, warehousing and distribution of breakfast cereal. Nestlé Nigeria Plc provides these functions to CPNL and obtains re-imbursement for all costs incurred in respect of these functions.

(c) Transactions with key management personnel

Loan to key management personnel

New loan of N29.0 million was issued to key management personnel during the year ended 31 December 2019 (2018: N10.4 million) which include interest and non-interest bearing facilities and the loans are repayable in full over the agreed repayment period which could be short or long term. As at 31 December 2019, the balance outstanding was N32.7 million(2018: N17.1 million) and is included in trade and other receivables. (See note 22)

(d) 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 contribution plan on their behalf. In accordance with the terms of the plan, directors and executive officers are entitled access to the fund when they retire.

Executive officers also participate in the Company's long service awards programme. 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:

In thousands of naira	2019	2018
Short-term employee benefits	189,796	135,841
Contribution to compulsory pension fund scheme	9,860	8,567
Defined contribution gratuity scheme	11,413	9,456
Other long term benefit	-	17,934
Share based payments	128,812	72,774
	339,881	**244,572**

(e) Other related party transactions

Amount due to other related companies represents balances due on current accounts maintained with companies in the Nestlé Group for the importation of Property, plant and equipment (PPE), raw materials, finished products and services. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

(i) Intercompany payables

In thousands of naira		Transaction value Year ended 31 December		Balance outstanding as at 31 December	
Related Party	**Nature of transaction**	**2019**	**2018**	**2019**	**2018**
Nestlé Ghana Limited	Finished goods	1,528,315	2,001,528		811,516
Nestlé World Trade Corporation Limited	PPE/ Services	23,717,712	5,964,140	18,309	-
Nestlé Netherlands	Finished goods	2,604,904	-	861,728	1,905,122
Nestlé France Limited	Finished goods	114,764	698,045	516,852	980,819
Societe Des Produits Nestlé S.A	Services	9,200,611	8,626,137	2,966,832	3,515,539
Nestlé Central and West Africa	Services	6,484,353	6,596,605	1,214,744	1,694,434
Wyeth Nutritional Singapore	Finished Goods	944,136	1,785,706		1,305,650
Others		9,720,719	7,967,831	193,300	1,584,782
		54,315,514	**33,639,993**	**5,771,765**	**11,797,862**

Amount due from other related companies represents balances due on current accounts maintained with companies within the Nestlé Group for the export of finished goods and provision of services. Prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

(ii) Intercompany receivables

In thousands of naira		Transaction value Year ended 31 December		Balance outstanding as at 31 December	
Related Party	**Nature of transaction**	**2019**	**2018**	**2019**	**2018**
Nestle Burkina	Finished goods and Services	3,477,805	1,729,361	1,823,672	1,354,744
Nestlé Togo	Finished goods and Services		66,463	-	-
Nestlé Ghana	Finished goods and Services	2,053,595	1,686,124	459,614	136,881
Nestlé Niger	Finished goods and Services		1,481,007		110,781
Nestlé Senegal	Finished goods and Services	3,630	11,221	9,243	-
Nestlé Cameroun	Finished goods and Services	10,583	9,558	25,052	-
Nestle Middle East	Services	-	-		27,848
CP Nigeria	Services	116,831	263,865	756,520	617,814
Others	Finished goods and Services	833,825	208,809	450,919	285,631
		6,496,269	**5,456,408**	**3,525,020**	**2,533,697**

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

(iii) Nestlé Nigeria Trust (CPFA) Limited

Nestlé Nigeria Trust (CPFA) Limited ('NNTL') previously called Nestlé Nigeria Provident Fund 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 defined contribution gratuity scheme for employees of Nestlé Nigeria Plc.

Nestlé Nigeria Trust (CPFA) Limited is an unconsolidated structured entity licensed by the National Pension Commission (PENCOM) to conduct the business of a closed pension fund administrator. The activities of Nestlé Nigeria 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 Nestlé Nigeria Trust (CPFA) Limited accrue principally to members of the provident, pension and defined contribution gratuity schemes and the company has no exposures to variable returns arising from its involvement.

The Company's residual interest in Nestlé Nigeria Trust (CPFA) Limited is immaterial. The funds and assets of the provident, pension are held by an independent licensed pension fund custodian in line with the Pension Reform Act, 2004.

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

33 Going Concern

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company's Current Liabilities were higher than the Current Assets as at 31 December 2019 . This is owing to management's efforts to minimize stock covers and receivables. The Company has an open and unutilized credit line of NGN 24.9 billion which can be used as at 31st December 2019

34 Events after the reporting date

There are no significant subsequent events which could have had a material effect on the state of affairs of the Company as at 31 December 2019 that has not been adequately provided for or disclosed in the financial statements.

Other National Disclosures

31 December 2019

Value Added Statement

In thousands of naira	2019	%	2018	%
Revenue	284,035,255		266,274,621	
Brought in materials and services				
- Local	(80,363,348)		(93,662,012)	
- Imported	(98,221,869)		(77,110,471)	
	105,450,038		95,502,138	
Finance Income	1,328,872		1,716,889	
Value Added	**106,778,910**	**100**	**97,219,027**	100
Distribution of Value Added:				
To Employees:				
- Employees as wages and salaries	25,937,349	24	23,506,644	24
and end of service benefits				
To Providers of Finance:				
- Finance Costs	2,267,094	2	2,606,774	3
- Company tax	24,358,033	23	15,726,711	16
Retained in the business:				
- Depreciation of tangible assets	7,450,643	7	6,906,287	7
- Deferred tax	1,082,678	1	1,016,109	1
- Impairment loss on tangible assets	0	-	4,448,476	5
- Profit transferred to reserves	45,683,113	43	43,008,026	44
	106,778,910	**100**	**97,219,027**	**100**

"Value added" is the measure of wealth the company has created in its operations by "adding value" to the cost of products and services. The statement above summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out above is the amount retained and re-invested in the company for the replacement of assets and the further development of operations.

Notes to the financial statements

For the year ended 31 December 2019

Financial Summary

In thousands of naira	2019	2018	2017	2016	2015
Funds Employed					
Share Capital	396,328	396,328	396,328	396,328	396,328
Share Premium	32,262	32,262	32,262	32,262	32,262
Share based payment reserve	123,076	154,788	147,236	126,480	150,466
Retained Earnings	45,005,964	49,637,108	44,302,351	30,323,005	37,428,018
Shareholder's Fund	45,557,630	50,220,486	44,878,177	30,878,075	38,007,074
Current Liabilities	125,535,430	92,117,501	79,680,495	121,033,434	59,731,857
Non-current Liabilities	22,281,255	19,996,435	22,245,456	17,674,423	21,476,122
	193,374,314	**162,334,422**	**146,804,128**	**169,585,932**	**119,215,053**
Asset Employed					
Non Current assets	86,336,830	79,600,105	74,299,175	71,849,777	70,500,367
Current assets	107,037,484	82,734,317	72,504,953	97,736,155	48,714,686
	193,374,314	**162,334,422**	**146,804,128**	**169,585,932**	**119,215,053**
In thousands of naira	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue	284,035,255	266,274,621	244,151,411	181,910,977	151,271,526
Profit before income tax	71,123,824	59,750,846	46,828,682	21,548,408	29,322,477
Profit for the year	45,683,113	43,008,026	33,723,730	7,924,968	23,736,777
Other comprehensive income, net of tax		-	-	-	-
Declared dividend*	50,333,672	37,651,172	19,816,406	15,060,469	21,798,049
Per 50k share data:					
Basic earnings per share	57.63	54.26	42.55	10.00	29.95
Diluted earnings per share	57.63	54.26	42.55	10.00	29.95
Declared dividend per share	63.50	47.50	25.00	19.00	27.50
Net assets per share	57.47	63.36	56.62	38.96	47.95

* Declared dividend represents the interim dividend declared during the year (N25.00) and final dividend proposed for the preceding year but declared during the current year. Earnings per share (basic and diluted) are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year. Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

The financial information presented above reflects historical summaries based on International Financial Reporting Standards.

Additional Corporate Information

31 December 2019

Shareholders' Information

Ten Year Dividend History

Year	Dividend No.	Profit After Taxation (N'000)	Dividend Declared (Gross) (N'000)	Dividend Per Share (kobo)	Dividend Type
2010	51	12,602,109	1,288,067	195	Interim
	52		7,001,796	1060	Final
2011	53	16,808,764	1,188,984	150	Interim
	54		8,758,852	1105	Final
2012	55	21,137,275	1,188,984	150	Interim
	56		14,664,140	1850	Final
2013	57	22,258,279	1,188,984	150	Interim
	58		19,023,750	2400	Final
2014	59	22,235,640	7,926,562	1000	Interim
	60		13,871,484	1750	Final
2015	61	23,736,777	7,926,562	1000	Interim
	62		15,060,468	1900	Final
2016	63	7,924,968	7,926,562	1000	Final
2017	64	33,723,730	11,889,843	1500	Final
	65		21,798,046	2750	Final
2018	66	43,008,026	15,853,125	2000	Interim
	67		30,517,265	3850	Final
2019	68	45,683,113	19,816,406	2500	Interim
	69		35,669,531	4500	Proposed Final

Ten-Year Turnover, Profit Before Tax, Taxation and Profit After Tax History

31 Dec	"Turnover (N'000)"	Profit Before Tax (N'000)	"Taxation (N'000)"	"Profit After Tax (N'000)"
2010	82,726,229	18,244,454	5,642,345	12,602,109
2011	97,961,260	18,199,249	1,702,796	16,496,453
2012	116,707,394	25,050,172	3,912,897	21,137,275
2013	133,084,076	26,047,590	3,789,311	22,258,279
2014	143,328,982	24,445,978	2,210,338	22,235,640
2015	151,271,526	29,322,477	5,585,700	23,736,777
2016	181,910,977	21,548,408	13,623,440	7,924,968
2017	244,151,411	46,828,682	13,104,952	33,723,730
2018	266,274,621	59,750,846	16,742,820	43,008,026
2019	284,035,255	71,123,824	25,440,711	45,683,113

Shareholders Information (Cont'd)

Share Capital History

The share capital of the Company is as indicated below.
The issued and paid up capital of the Company as at 31December 2019 is N396,328,126.

Date	Authorized Share Capital Value N	Shares	Issued And Fully Paid Value N	Shares	N
29-11-71	200,000	100,000	200,000	100,000	Cash
30-12-71	600,000	300,000	200,000	100,000	-
30-11-72	600,000	300,000	440,000	220,000	Cash
11-06-73	1,000,000	500,000	440,000	220,000	-
16-08-73	1,000,000	500,000	756,726	378,363	Cash
22-10-73	1,000,000	500,000	1,000,000	500,000	Cash
21-05-74	2,000,000	1,000,000	1,000,000	500,000	-
15-10-74	2,000,000	1,000,000	1,250,000	625,000	Rights (1:4)
27-03-75	2,000,000	1,000,000	1,625,000	812,500	Rights (3:10)
02-05-75	2,000,000	1,000,000	2,000,000	1,000,000	Bonus (3:10)
28-05-76	3,000,000	1,500,000	2,000,000	1,000,000	-
11-08-76	3,000,000	1,500,000	3,000,000	1,500,000	Bonus (1:2)
10-11-76	5,000,000	10,000,000	3,000,000	3,000,000	1 share of N2
					2 shares of N1
					each
12-08-77	5,000,000	10,000,000	5,000,000	5,000,000	Bonus (2:3)
12-05-78	7,500,000	15,000,000	5,000,000	10,000,000	1 share of N1
					each subdivided
					to 2 shares of 50
					kobo each
08-12-78	7,500,000	15,000,000	7,500,000	15,000,000	Public Issue
10-07-80	11,250,000	22,500,000	11,250,000	22,500,000	Bonus (1:2)
01-07-82	16,875,000	33,750,000	16,875,000	33,750,000	Bonus (1:2)
18-06-86	20,250,000	40,500,000	20,250,000	40,500,000	Bonus (1:5)
09-03-90	30,375,000	60,750,000	30,375,000	60,750,000	Rights (1:2)
27-06-91	40,500,000	81,000,000	40,500,000	81,000,000	Bonus (1:3)
24-06-93	50,625,000	101,250,000	50,625,000	101,250,000	Bonus (1:4)
23-06-94	75,937,500	151,875,000	75,937,500	151,875,000	Bonus (1:2)
03-09-96	105,687,500	211,375,000	105,687,500	211,375,000	Scheme of
					arrangement
					for acquisition of
					NPL shares
19-06-97	211,375,000	422,750,000	211,375,000	422,750,000	Bonus (1:1)
15-04-03	264,218,750	528,437,500	264,218,750	528,437,500	Bonus (1:4)
24-04-07	330,273,438	660,546,875	330,273,438	660,546,875	Bonus (1:4)
28-04-11	396,328,126	792,656,252	396,328,126	792,656,252	Bonus (1:5)

Shareholders Information (Cont'd)

Unclaimed Dividend Warrants, Bonus and Rights Certificates

Div. Number	Date of Payment	Unclaimed Dividend N'
46	April 22, 2008	58,870,007.51
47	December 1, 2008	22,031,609.20
48	April 29, 2009	120,903,615.90
49	December 7, 2009	23,338,172.61
50	April 28, 2010	147,285,455.58
51	January 10, 2011	60,482,238.43
52	April 29, 2011	274,737,737.70
53	December 12, 2011	33,393,325.95
54	April 27, 2012	245,258,793.25
55	December 24, 2012	39,563,880.30
56	May 10, 2013	433,019,114.10
57	December 9, 2013	34,758,928.50
58	May 13, 2014	585,167,643.73
59	December 8, 2014	200,276,352.00
60	May 12, 2015	408,851,222.50
61	December 7, 2015	237,527,300.00
62	May 24, 2016	453,120,936.80
63	May 24, 2017	235,406,658.00
64	December 11, 2017	348,073,826.40
65	May 22, 2018	754,481,076.25
66	December 10, 2018	543,085,000.00
67	May 28, 2019	1,053,718,111.60
68	December 9, 2019	723,090,647.50

Since becoming a public company in 1978, Nestlé Nigeria has declared sixty-eight Dividends, issued ten scripts and made one rights issue.

Our records show that dividend warrants in respect of the unclaimed dividends listed below have not been presented for payment while a number of Share Certificates have been returned to the Registrars as unclaimed or undeliverable.

For Unclaimed
Dividend and Share Certificates, please contact:

The Managing Director,
Greenwich Registrars & Data Solutions Limited,
274 Murtala Muhammed Way,
Alagomeji, Yaba, Lagos,
P. M.B. 12717, Lagos
Apapa.

Scripts	Date Issued	
01	10 July 1980	1 for 2
02	01 July 1982	1 for 2
03	18 June 1986	1 for 5
04	27 June 1991	1 for 3
05	24 June 1993	1 for 4
06	23 June 1994	1 for 2
07	19 June 1997	1 for 1
08	15 April 2003	1 for 4
09	24 April 2007	1 for 4
10	28 April 2011	1 for 5
Rights		
01	09 March 1990	1 for 2

Corporate Directory

Head Office

Lagos
22-24 Industrial Avenue,
Ilupeju Lagos.
P.M.B. 21164, Ikeja,
Lagos State.
Tel: 01-2798184, 2798188, 2790707
Fax: 01-4963033

Factories/Distribution Centres

Agbara Factory:
Km 32, Lagos-Badagry Express Road,
Agbara Industrial Estate, Ogun State.
Tel: 01-4484330-5, Fax: 01-2790701.

Flowergate Factory

Flowergate Industrial Estate Along
Abeokuta – Sagamu Expressway By
RIYE Roundabout,
Ogun State. Tel: 01-2791150.

Abaji Factory:
Plot No CP/ED1395 Phase II Extension,
Layout II, FCT, Abuja Tel: 08052797010

Distribution Centres:

Km 7, Idi-Iroko Road, Sango-Ota, Ogun
State Tel: 01-7912764, 7944658,
7924502.

Km 32, Lagos-Badagry Express Road,
Agbara Industrial Estate, Ogun State.

Branch Offices

Lagos
10, INDUSTRIAL CRESCENT ILUPEJU ,
LAGOS 08052797046

South West
FLOWERGATE FACTORY, SAGAMU,
OGUN STATE 08052797143

South East
NO 46, WEDDERAL ROAD OWERRI ,
IMO STATE 08052797092

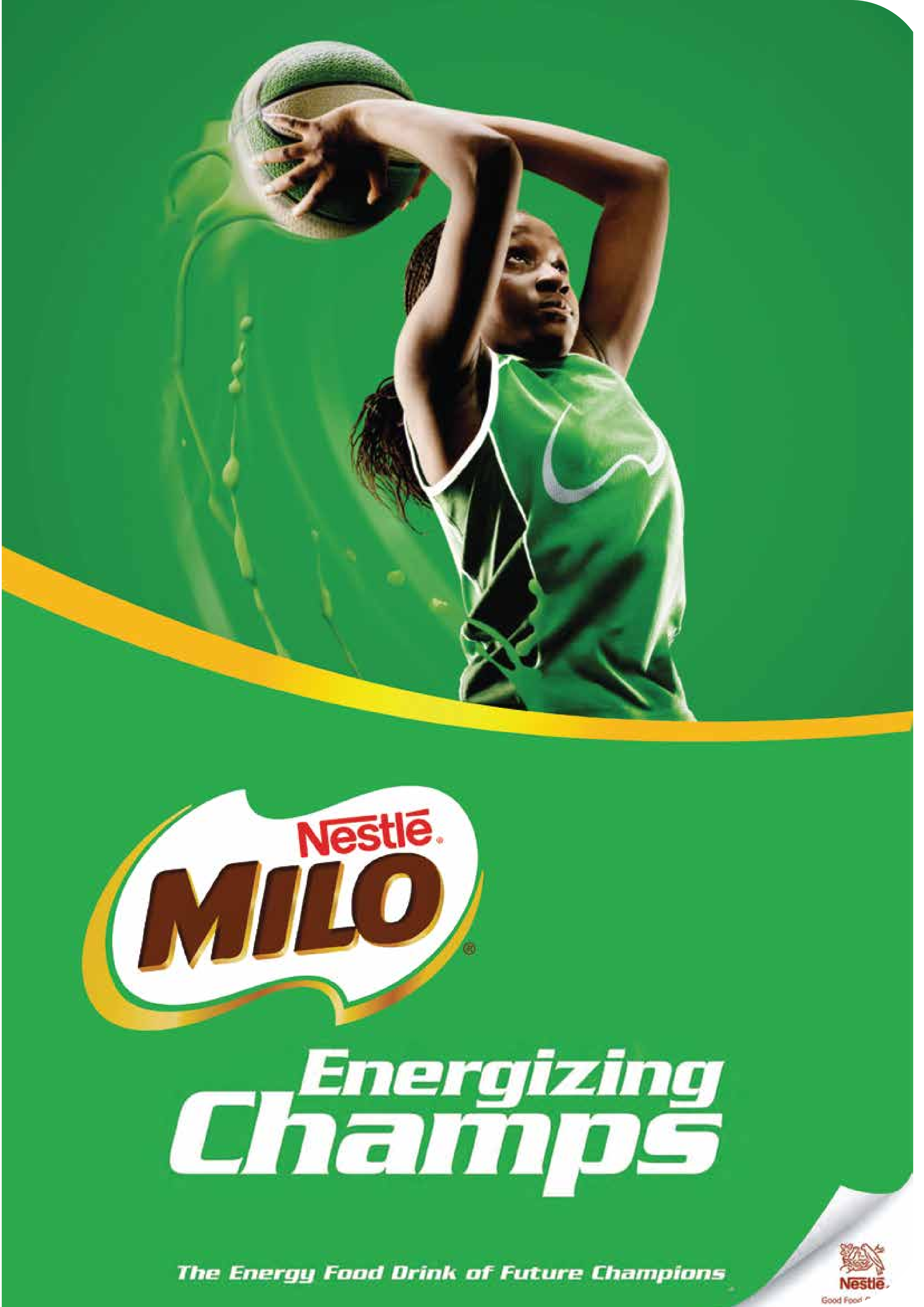
South South
RIZ PLAZA, NO 19 STADIUM ROAD
PORT HACOURT, RIVERS STATE.
08052797034

North Central
UNION HOMES & SAVINGS BUILDING
PLOT1479 ORO-AGO CRESCENT ,
GARKI 11 FCT ABUJA08052797144

North West
NIIT BUILDING, NO 5A KANTA ROAD
KADUNA, KADUNA STATE
08052797075

North East
NICON BUILDING, NO 4 STATE
SECRETERIAT ROAD JOS, PLATEAU
STATE 08052797093

Our Leading Brands


Nestlé
MILO
Energizing Champs
The Energy Food Drink of Future Champions
Nestlé
Good Food

MILO – the energy food drink of future champions - has been nourishing future champions in Nigeria with its unique delicious cocoa-malt taste and nutritious winning energy for decades. MILO enables mums equip their champions for greatness every day, providing these champions with energy when they need it as well as inspiration that children need for everyday victories on the road to lifelong success.

At MILO, we believe that every child can attain their dreams if given the right opportunities. This is why MILO has been at the forefront of sports development in Nigeria for decades. The brand has been working alongside partners using sports as a metaphor to teach schoolchildren important life values such as the ability to work in teams, perseverance, courage, self-belief, and respect that will help them succeed in life. There are two of such sports platforms; the MILO Sports Development Program in schools (MSDP) and the MILO Basketball Championship (MBC).

The MILO Sports Development Programmme (MSDP) is a platform for educating children on the foundational skills for selected sports and therefore encouraging participants to learn and participate in sports as a vehicle for a child's overall physical, social and mental development. The programme reaches over one million school children across the country annually.

The second platform is the MILO Secondary School Basketball Championship which started in 1999 when Nestle MILO and the National Collegiate Sports Foundation (NCSF) laid the foundation of what is today a legacy tournament. In year 2000, the Nigerian Schools Sports Federation (NSSF) joined the ambitious partnership to encourage sports as part of education in schools. These strategic partnerships have taken the championship from just a handful of schools in 1999 to about 10,000 schools now participating annually.

Our partners include the Ministries of Education as well as the Ministry of Sports, Youth Development across all States of the Federation. Others are Nigeria School Sports Federation (NSSF), the National Collegiate Schools Foundation (NCSF), and the Nigeria Basketball Federation (NBBF). The MILO Secondary School Basketball Championship helps to train about 150,000 students in sports clinics annually during the Championship.

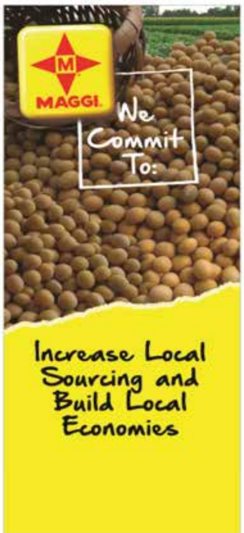
Over the years, MILO Basketball Championship has produced professional basketball players who currently play in the Nigeria local league and the national teams. Many players from the Championship are also plying their trade in various European leagues, the National Basketball Association (NBA), and the Women's National Basketball Association (WNBA) as well as in Asia.


M
MAGGI
MAGGI
STAR SEASONING
With MAGGI®, Cook The Difference

MAGGI, for over 54 years in Nigeria, continues to reinforce its commitment to creating good food moments. The **"reiMAGGIne"** journey we started 3 years ago has defined a set of values and commitments that impacts the way we support individuals and families to make healthier and tastier food choices. **"Simply good commitment".**

Our simply good philosophy; "MAGGI is committed to inspire and help you cook good food with fresh ingredients every day; for your family".

We are driving our evolution based on a set of values that impact the way we craft products and services. Anchored in taste and balance principles, the objective of simply good is to build trust, with transparency on our improved product and service reality.



These commitments respond to the preference of today's consumers for products with more familiar and common ingredients, natural or organic, with minimal processing.

MAGGI brought the simply good commitment to life with the birth of Naija Pot seasoning cubes in 2018 and just recently with **Maggi Signature seasoning powder.**

MAGGI Signature is a unique blend of natural ingredients like dry bay leaf, onions, tomato, chili pepper, thyme, and other flavorings commonly used in the kitchen.

Signature seasoning powder helps simplify cooking, save time, money, & it's easy to use & dose.

Being the market leader in a highly competitive environment, MAGGI will continue to be the **no 1 partner/ally** to our consumers and enable them to make a difference through their everyday cooking and everyday life.


Refresh with Quality water
PURE LIFE® BEGINS NOW
World Quality Alliance
Best Premium Bottle water Company of the year 2019
NEW
Nestlé Pure Life
Premium Drinking Water 150 cl
Premium Drinking Water 60 cl

Water is at the centre of life, keeping you and your family's bodies healthy is why it is so important to drink enough each day.

Every drop in every bottle of our **Nestlé® Pure Life®** Premium Drinking Water is sourced from carefully protected underground deep well using our 13 Steps quality production process. This means that it meets strict standards for bottled water. We are committed to quality so you can trust every drop.

We add a light blend of minerals to our water, to give **Nestlé® Pure Life®** Premium Drinking Water its distinctive, refreshing taste.

Nestlé Pure Life water is available in a variety of sizes to meet your hydration need. Nestlé Pure Life Regular 60cl and 150cl to keep you hydrated all day. **Nestlé Pure Life Protect 60cl and 150cl** to support your immune system with Zinc and stay hydrated.

Visit our site **www.nestlepurelife.com/ng** to learn more and order your NESTLÉ PURE LIFE product online.


Start Strong
Finish Strong
NESCAFÉ
BREAKFAST
3in1
NESCAFÉ
HEAD BAKER
It all starts with a
NESCAFÉ

NUMBER ONE
Instant Coffee Brand in Nigeria

Over
400 MILLION
cups consumed in 2019

Over the years, **NESCAFÉ**, the leading instant coffee brand, has been at the forefront of developing the Nigerian coffee consumption culture, through innovation and sustainable business practices.

NESCAFÉ has consistently been known and loved for its mild stimulating attributes, appealing aroma and satisfying taste, which enriches life's simple moments.

With over 400 Million Cups Sold in 2019, **NESCAFÉ** overtook competition to become the No. 1 Coffee Brand in Nigeria. Thanks to our unwavering commitment to deliver to Nigerians, the attendant benefits and enjoyment a perfect cup of coffee brings to their daily lives. This commitment is expressed in our range of quality **NESCAFÉ** products.

Another key milestone celebrated in 2019, is the transitioning of our **NESCAFÉ** 3 in 1 instant coffee mixes, from a partially imported, into a 100% locally produced product. Bringing the brand closer home to Nigerians

There are so many reasons to love **NESCAFÉ** :

- It tastes amazingly good, however you prepare your cup..
- It is 100% natural
- **NESCAFÉ** Connects people in diverse ways; business, social pleasure and fun

So Start strong, Finish Strong with the stimulating aroma and rich taste of **NESCAFÉ.**

NESCAFÉ comes in different sizes in order to meet the different tastes of our discerning consumers; **NESCAFÉ Classic (2g) NESCAFÉ 3-in-1 mixes (32g)**

Always remember .... It all Starts With a **NESCAFÉ**

Nestlé GOLDEN MORN™

Nutritious Family Cereal

40%
more protein than any other packaged cereal in Nigeria.

100%
of our grain & packaging are sourced locally contributing to the wellbeing of the communities.

346
Mio bowls of fortified breakfast served in the past year.

26,000
farmers trained with 25% of them women.

Nestlé GOLDEN MORN an iconic Nigerian brand
Eat up and Carry Go!!!

Nestlé GOLDEN MORN is an instant family cereal made from a special selection of the best Nigerian cereal grains combined with a unique blend of Vitamins and Minerals. The brand was introduced in 1986 and has evolved over time to become an iconic brand, nourishing Nigerian families for over 34 years.

With a unique signature taste Nigerians continue to enjoy across generations, our brand comes in two different product offerings that include GOLDEN MORN Maize & GOLDEN MORN Puffs and conveniently delivers nutrition through different pack sizes including an affordable single serve pack.

Well known for is nutritional value, Nestlé GOLDEN MORN is manufactured in our Agbara industrial complex under the highest international quality standards. By employing, a unique technology managed by our highly skilled cereal plant team, professionally distributing across Nigeria through the daily efforts of our retail partners and sales team, you can enjoy the product wherever you are and whenever you need it.

With local sourcing as part of the brand's DNA, we continually invest in the development of the local farmers through our CSV initiatives. Training farmers, purchasing their yield and full local production makes us a strong contributor to the development of our communities and local economy.

Nestlé GOLDEN MORN is a great partner for families as a smart source of energy for them to start their day right and make the most of the opportunities that each day holds. It provides the right balance of both Macronutrients and Micronutrients as it contains Protein, Fiber and Carbohydrates, Vitamins and Minerals.

Nestlé GOLDEN MORN a brand driven by propose: In line with Nestlé's purpose of "Enhancing quality of life, and contributing to a healthier future" Nestlé GOLDEN MORN is contributing by:

34years
delivering great tasting nutrition to Nigerians

List Of Distributors

Adebukola And Sons Limited	C I Obioha And Sons	Fresh Business Ltd
A. D. Basharu And Sons Nigeria	C N Honesty Enterprise	Fusaha Ventures
A. E. Chrismerchants Ltd	C. Ifeanyi Onyema & Sons	G. N Chukwu Nig Ltd
A.A Dayi Nigeria Ltd	CEC Global Ventures	Gazillion Global Resources
A.M Ibrahim Maizare	Center Stage Merchants Ltd	Gbolade Invest
Ablettdrive Impact Solution Limited	Clean Page Int'l Ltd	Glomo Integrated Services
Achida Saidu Usman And Sons	CVC Consult LTD	GPPO Enterprises
Ade Distribution And Investment	Darvon Resources	Grace Assets Limited
Adetimehin Integrated Investment	Daslad Heritage Company	Great Possiblizer LTD
Aishamin Commercial Enterprises	Davnic Kings Limited	Hamir Investment Nigeria LTD.
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Akbro LTD	De Majok Global	Hassan Abdullahi and Sons
Al-babello Trading Company	De Naza Ken Business	His Grace Ify Enterprises
Al-Wadud Ventures Limited	Debby Mega Merchants Limited	Hope & life Nig Ltd
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Alh. Rufai Mohammad Nig Enterp.	Dolat Multi Enterprises	Iyanu Business Ventures Ltd.
Alhaji Amadu Hussaini & Sons Multi	E V Okpalaoka And Sons Nig Ltd	Izeza Investment Company Ltd
Alhaji Garba Dankane Jega	E.H.Okika	J. J. Nnoli And Sons
Alhaji Mohammad Monguno	Ebi Ayoni Resource Concept	J. O. Adebiyi And Sons Nigeria
Alhaji Tukur Sabaru & Sons	Ejide Ayinde Enterprise	J.O.Adegboyega
Ali Sa'adu Muhammed	EK Glory Limited	JABMAZE NIGERIA LIMITED
Allanka Nigeria Limited	EL-DORADO MULTIPURPOSE INT. CONCEPT LTD	Joc Dona Investments Limited
Amana Superstores		Joe Best Akor Enterprises Nigeria
Anike Faseyintan Trading	Elymay Nigeria Limited	Joemich Global Ventures Enterprises
Ashialin Corporate Shop	Emmanuel Bakeries Limited	Jofex_Jofexson Global Resources Company
Ayomide Multi Ventures Nig. Ltd	Eunima Global Resources	Justsports Nig. Ltd
B. A. International Investment	Everest Sales and Stores	JV 901 Nigeria LIMITED
Basrose Stores	First John Bosco Ventures	Kaima Integrated Network Ventures
Bethel – FBM Multicerv Int'l Limited	Fola Global Quest Ltd	Keem David Limited
Brent Store Ltd Nigeria Limited	Fortunes	Kenuellark Resources
Bukola Oshinaike	Franco International West Africa	Kofaj Nigeria Enterprises

List Of Distributors (Cont'd)

Kwesifin Ventures	Nondios Nigeria Enterprises	SM23 NIGERIA LIMITED
Lady V Stores	Nortex Business Link	Smabirm Nigeria Limited
Lajire Ventures	O.R.L Support Services Limited	So-Blue Limited
LivingSpring Bulk Purchase Nig Ltd	Ochiagha Udo Ventures	Solid Choice Nig. Ltd.
M. A. Onigbinde And Sons Limited	Oghaleoghene Global Ventures	TAOFLAT GOLDEN Shares Business Links
Madaci Pharmaceutical Company Limited	Ok. Kanice Investment Company Ltd	TARHYEL INESTMENT LIMITED
	Olaniyi Badmus Nig Ltd	TDI LIFE
Makaah Global Ventures	Olayiwola Stores	Tivo Corporate Services Intl Ltd
Makemx Nigeria Limited	Omofade Ventures	Tobiloba Trading Company
Matazu & Sons	Orlak-Fem Nigeria Limited	Tripple P Dazzled Ventures
Mazek Resources Ltd	Otosi Nigeria Enterprises	Tujjani & Tijjani NIG LTD
MD Mart Nigeria LTD	Oyingold Nig Ltd	TWINS & TRIPLETS GLOBAL NIG.LTD
Mene Mene Inter. Ventures	Paxson Nigeria Company Limited	Umar Abubakar Muhammad General Enterprise
Mertesacker Nig Ltd.	Petsam Ore Ofe	
Mirarob Integrated Services	Pikwik Nigeria LTD (Modern Trade)	Umar Faruk
MJIE ENTERPRISES	PUO Assets Ltd	Vivifrank Nigeria Enterprises
Mobik - Chris Nig. Enterprises	Royal Diamond Invt Ltd	W.J. Ukaonu & Sons Nig Ltd
Modu Director And Sons Limited	RSL International Ltd. Lekki	Wet Sample Enterprises
More Options Nigeria Ltd	RSL Ventures Capital Limited	Yakubu Shopping Plaza LTD
Moyin Oluwa Trading Store	S C Okafor NIG LTD	Z.N.U AMINCHI GLOBAL VENTURES
Muabsa Intergrated Services	S.C.Okonkwo Nigeria Limted	
Muhammad Munzali Zakari Enterprises	Saadu Ali Mai Silifas Nigeria Ltd	
Muhammad Nafiu Brothers & Sisters	Sambajo General Enterprises Ltd.	
Muna and Zara Enterprises	Seddt Nigeria Limited	
Mut-Keem	Sidi And Sons	
Nasiru Abdulhamid Atiku Nig	Simak N. Trading Company	
Nathan Ofoma & Sons LTD	Sinatzeez Nigeria Limited	
Nirvana Rocksolid Limited		

Year 2019 in Retrospect

31 December 2019

Table of Contents

Nestlé Nigeria, Improving livelihoods

Nestlé Nigeria Plc is a strong contributor towards the efforts to build a national business culture based on sustainable practices, which benefit all stakeholders. Beyond delivering tasty and nutritious products to consumers, we believe that the health of our company is linked with the health and resilience of the communities where we operate.

We believe that our business will only be successful in the long term if we create value for society, a concept called Creating Shared Value (CSV). This is also in line with Nestlé's purpose, which is, enhancing quality of life and contributing to a healthier future.

Nestlé Nigeria's CSV efforts in 2019 focused on individuals and families, communities and the environment. In addition to reaching over 34 million of the 40 million households in Nigeria with micronutrient fortified products in 2019, we made progress towards improving livelihoods in communities and for stakeholders across our value chain. We provided access to clean drinking water for over 13,300 people with 6 additional boreholes commissioned.

Over 1.7 million children in primary and secondary schools across Nigeria were reached with nutrition and lifestyle education through Nestlé for Healthier Kids(N4HK), MILO Basketball Championship and MILO School Sports Development Program.

To help improve household incomes of smallholder farmers who supply the grains and legumes to our factories, we consolidated our efforts around farmer capacity building and grain quality improvement through Feed the Future Nigeria and Nestlé Maize Quality Improvement Partnership (M-QIP), reaching over 50,000 smallholder farmers.

In addition to these, we consolidated investments in the Technical Training Centres, with the company employing about 90% of the 32 students who graduated from the TTCs in 2018 and 2019.

For Individuals & Families:

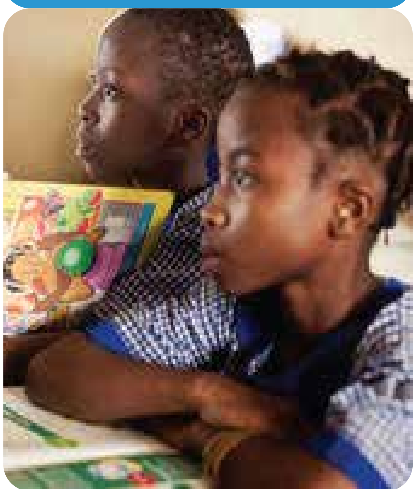
Helping Nigerian families live healthier lives

For our communities:

Improving livelihoods in communities directly connected to our activities

For the planet:

Striving for zero impact in our operations in Nigeria



NESTLÉ for HEALTHIER KIDS

17,000
STUDENTS
Provided with nutrition education

30
SCHOOLS
in the FCT and Ogun State

34m
HOUSEHOLDS
reached with micronutrient fortified products


MAGGI® Signature launch at the Flowergate factory with the Secretary to the Ogun State Government, Nestlé shareholders and employees

CERELAC® Junior launch event at the Agbara factory with Dignitaries

MAGGI® Signature Launch

MAGGI® Signature is a new powder seasoning range, produced in Nigeria. It contains a unique blend of natural ingredients such as bay leaves, onions, tomatoes, chilli pepper and thyme commonly used in household kitchens across Nigeria.

'Signature' flavours are designed especially for Nigerian cuisine and come in three variants - Jollof, Miya and Pottages.

CERELAC® Junior launch

CERELAC® Junior, is a multigrain (Maize and Wheat) cereal fortified with multivitamins, iron, zinc and iodine to provide an optimal nutritional solution to malnutrition, a public health challenge among under-5s.

It is ideal for older children from 3 years of age.

It was launched in 2019 across sales outlets nationwide.

Commemorating World Health Day 2019 in Ogun State

The Nestlé Nutrition Institute Africa (NNIA) in collaboration with the Ogun State Ministry of Health (OSMoH), commemorated the 2019 annual World Health Day with the theme "Universal Health Coverage: Everyone, Everywhere". Eighty (80) Primary Health Care workers drawn from various Primary Health Care Centres in Ogun State were trained on the assessment and management of malnutrition in the first years of life.

The workshop was preceeded by a press briefing by the Honourable Commissioner for Health.

The Ogun state commissioner of Health, Dr. Babatunde Ipaye, during the Press conference, expressed his appreciation to Nestlé Nutrition Institute Africa (NNIA) for providing support towards empowering health care professionals, through diverse initiatives in the state.

The Executive Secretary of the Ogun State Primary HealthCare Board, Dr Elijah Ogunsola, The Director of the Ogun State Primary HealthCare Board, Dr Sanni Salimat were also in attendance.

Ogun State Commissioner for Health, Dr Babatunde Ipaye, NNIA Anglophone Coordinator, Dr Chioma Emma-Nwachukwu, with Ogun State Ministry of Health officials and Nestlé staff

Cross section of HCPs at the training

Empowering Healthcare Practitioners

The vision of the Nestlé Nutrition Institute Africa (NNIA) is to provide continuous access to the latest nutrition information to health care providers to empower them with knowledge, access and motivation necessary to promote good nutrition and healthy lifestyles throughout the lifecycle of the populations they are serving.

A key objective of the institute is supporting nutrition trainings of health care professionals with access to the most current and sound nutrition information, as well as tools they can utilize to guide them in making good nutrition choices. The Post Graduate Program for Pediatric Nutrition (PGPN) and the Essential Newborn Care Training are relevant trainings the Institute supported for HCPs in Nigeria in 2019

PGPN

Nestlé Nutrition Institute (NNIA) in collaboration with Federal Ministry of Health has trained 100 healthcare professionals through its Post Graduate Program for Pediatric Nutrition (PGPN) in 2019. The program provides the most current information in nutrition and healthy lifestyles, highlights evidence-based practice, and ultimately provides the necessary foundation to integrate pediatric nutrition into clinical practice.

The participants of the training rated the quality and content of the training modules as relevant to their clinical practice and have in turn reached over 11,000 of their colleagues through step down trainings.

The graduation ceremony is scheduled for 11th February 2020.

600
health professionals trained

Essential Newborn Training

In support of Government's efforts in ending preventable newborn deaths by 2030, Nestlé Nutrition Institute (NNIA) organized the Essential New Born Care/ Nutrition Academy in eleven locations across the country. The training provided opportunity to further improve the knowledge and skills of Health Care Professionals in care of the new born.

Nutritious Food Fair

Nutrition-related factors contribute to about 45% of deaths in children under-5 years of age and about 98.9 million people in Central and West Africa are undernourished.

Micronutrient Deficiencies also abound with 62% of children under 5years and 38% of women suffering from anemia.

Nestlé Nigeria had the opportunity to share Nestlés' efforts in combating micronutrient deficiencies and youth unemployment at the 5th edition of the Harvest Plus Nutritious Food Fair with the theme "Nutrition is everybody's business".

Stakeholders and Partners at the Fair called for intensified efforts to ensure adequate nutrition for everyone while emphasizing the need for multi-sectorial collaboration towards improving the accessibility of nutritious food and ending hidden hunger.

Empowering children for a healthier life through the Nestlé for Healthier Kids program

Since its foundation, Nestlé has been committed to helping parents and caregivers provide the right nutrition for their children. Nestlé for Healthier Kids (N4HK) is an initiative which aims at promoting healthy lifestyles in schools by educating children and parents on nutrition, as well as fostering physical activity.

N4HK donated educational and other materials to the 30 schools under the initiative through the Education Boards of Ogun State and the Federal Capital Territory.

The 2019 International Chefs Day with the theme 'How Healthy Foods Work', also provided an opportunity to educate children on making healthy food choices, wise and healthy purchasing decisions and personal hygiene.

Launched in Nigeria in collaboration with the Federal Ministry of Education and the Federal Ministry of Health in 2018, N4HK reaches over 60 teachers and 17,000 children in 30 schools closest to Nestlé Nigeria's operations in Ogun State and the Federal Capital Territory.

Cross section of children learning how to prepare ingredients for a healthy meal.

Mr Olaleye Kuye, Executive Secretary, Ogun SUBEB, Mrs M. Egunjobi, Director, Social Mobilization Ogun SUBEB, Edidiong Peters, Public Affairs Specialist, Nestle Nigeria at the donation of materials to N4HK schools through Ogun SUBEB

Commissioning of Nestlé for Healthier Kids (N4HK) school project in Owode Egba Primary School, Sagamu

Nestlé Nigeria restated its commitment to improving livelihoods by commissioning Nestlé for Healthier Kids (N4HK) school project in Owode Egba Primary School, Obafemi Owode, Ogun State. The school project comprises rehabilitation of a block of classrooms, and a playground, as well as the provision of toilet and water facilities in the community.

This school project also aims at creating a hygienic and sanitary environment for primary school students targeted by the Nestlé for Healthier Kids (N4HK) initiative.

Promoting Nutrition Reporting in Nigeria

The 28th Diamond Awards for Media Excellence (DAME) held on the 29th of December 2019 in Lagos. DAME awards honour journalists who have distinguished themselves in different areas of their career to represent the best interest of the country. Chioma Obinna from the Vanguard Newspapers came out first for the Nestlé Nigeria Prize for Nutrition Reporting with her story on "Sad Story of Nigeria's stunted and wasted children."

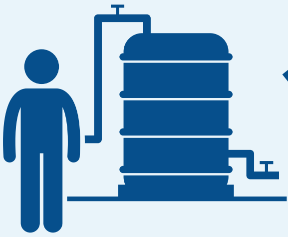
Nestlé is also providing training opportunities for nutrition and health writers who participated in this year's DAME.

Public Affairs Specialist with winner and runners up of Nutrition Reporting award



Our Communities

31 December 2019



Over

13,300

Providing daily access to clean drinking water to over 13,300 people in communities closest to our factories

Improving Livelihoods in Our Communities

Commissioning of Water Projects in our Communities

Nestlé Nigeria reiterated the company's focus on improving livelihoods in the communities where it operates.

In line with our purpose which is, enhancing quality of life and contributing to a healthier future, we strive to create value, both for our shareholders and for society, a concept called Creating Shared Value (CSV), knowing that the success of our company is linked to the welfare and resilience of the communities we operate in.

In Nigeria, our creating shared value initiatives are focused on four key areas: Nutrition Education, Rural Development, Youth empowerment and Environmental Sustainability with our interventions targeted at communities around our operations and locations.

Our rural development strategies cover access to clean drinking water and responsible local sourcing.

In 2019, Nestlé commissioned 5 additional water facilities in Areke, Bara, Alamala Barracks and Owode Egba communities all around her Flowergate Factory in Sagamu, Ogun State and one in Abaji, FCT.

From facilities close to Nestlé factories at Agbara, Sagamu and Abaji, more than 13,000 people now have access to clean and safe water daily.

Rural Development and Responsible Sourcing

46,000
LOCAL FARMERS
empowered to improve grain quality in the last 3 years

About
80%
LOCAL SOURCING
of raw and packaging materials

Local Sourcing

Nestlé Nigeria PLC, in collaboration with USAID/Nigeria continued the Feed the Future Nigeria and Nestlé Maize Quality Improvement Partnership which aims to enhance quality, safety, and transparency in Nigeria's grain supply chain through a whole-of-supply-chain approach.

This partnership is consistent with Nestlé's business approach of Creating Shared Value for the company and for society. Over 30,000 beneficiaries were trained in 2019 (42% women) on effective mitigation measures to reduce the levels of targeted contaminants in maize and soy, increasing the available supply of safe, high quality maize and soy.

Nestlé in collaboration with International Fertilizer Development Centre (IFDC) / 2Scale, is also helping farmers improve their livelihoods by empowering smallholder farmers on sustainable farming practices under the initiative, Nestlé Nigeria & IFDC/2Scale Project Sorghum & Millet. The partnership aims to improve grain quality and productivity. 46,000 farmers have been empowered to improve grain quality and productivity in the last 3 years.

Nestlé has also commenced a Youth Agripreneurship project in collaboration with AGRA. The project covers includes a Cassava Plan, targeted at 400 youths with Psaltry as the implementing partner and a Cereals plan also targeted at 400 youths with CBIL as the implementing partner.

Currently, Nestlé Nigeria sources about 80% of agricultural raw and packaging materials in the country. The company is working towards increasing this percentage in the coming years.

Responsible Sourcing

Responsible sourcing has always been at the core of Nestlé Nigeria's operations, with the company pursuing an aggressive road map to increase its local content from its current level of 80%.

The company reiterated this commitment at its 2019 Suppliers' Day, an annual event which brings together key suppliers of its raw materials, packaging materials, services and indirect services to share best practices.

Mr. Nestor Finalo, Supply Chain Manager Nestlé Nigeria with Mr. Joseph Tansen , Country Procurement Manager and key suppliers at Supplier's Day event in Lagos.

32
graduated from the TTCs in the last 2 years. 20 from TTC Agbara and 12 from TTC Abaji

over
2100
microbusinesses started through MyOwBu

Mr. Nestor Finalo, Supply Chain Manager Nestlé Nigeria

Local Sourcing is not only a smart business decision to ensure supply but also the right thing to do as it contributes to transforming small and medium scale businesses involved in Nestlé's value chain either directly or indirectly. Raw materials currently sourced locally by Nestlé include maize, cassava, palm olein, sorghum, soya and salt. The company also sources over 90% of its packaging materials locally. The company is exploring more local sourcing opportunities which still exist for various spices, vegetables and high-quality cassava flour.

The Supply Chain manager, Mr. Nestor Finalo reaffirmed Nestlé's commitment to long term partnerships with suppliers in sustaining efforts towards increasing the percentage of raw and packaging materials sourced locally. "Quality remains non-negotiable.

As a company, we prepare for the future by investing in new technologies and products while maintaining our strong focus on quality and striving for zero impact of our operations on the environment," Mr. Finalo said.

BusinessDay Agribusiness & Food Security Summit 2019

Nestlé's Managing Director, Mauricio Alarcon delivered a CEO's address and participated in the panel discussion with the theme 'Improving the Attractiveness of Local Backward Integration for Multinationals in Nigeria" at this year's BusinessDay Agribusiness and Food Security Summit 2019.

He provided insight into Nestlé's Creating Shared Value (CSV) principle highlighting a key initiative on rural development - responsible local sourcing.

We believe that our company will be successful in the long term by creating value for both our shareholders and for society as a whole. This approach, called Creating Shared Value (CSV), remains the fundamental guiding principle for how we do business.

Nestlé Nigeria currently sources about 80% of raw and packaging materials used in our production locally, this is a result of investments we have made towards increasing local sourcing since 2011. We remain committed to sustaining and increasing our local sourcing, and so continue to support the growth of the Agribusiness and food value chain which hold so much potential

Maiden Graduation of Nestlé Sales Academy

Nestlé Nigeria celebrated the pioneer graduates of Nestlé Sales Academy, a program run by the Lagos Business School. A total of 41 employees graduated from the academy, earning professional certifications and diplomas.

Nestlé Sales academy is an accelerated development program combining classroom trainings, field visits, exchange programs and mentorship to ensure graduates develop the required skills and competencies in sales. It aims at improving the professional competence and leadership capability of the company's sales team. This objective is in line with the company's commitment to create an environment that allows employees to learn, grow and thrive in each country where it operates.

Speaking at the event, the Managing Director/CEO of Nestlé Nigeria PLC, Mauricio Alarcon, said "Our people are key to the success of this company and we will continue to invest in them".

While commending the graduates, Chandana Fernando, Commercial Manager, Nestlé Nigeria said, "The company believes in you, hence the investment in your development. This is an investment for today and for tomorrow".

Youth Empowerment

Nestlé Celebrates International Youth Day

Nestlé Nigeria through its initiative, Nestlé needs YOUth, in partnership with the International Institute of Tropical Agriculture (IITA) celebrated the 2019 International Youth Day. In line with the 2019 Theme "Transforming Education', the event hosted over 90 National Youth Service Corpers, aspiring Agripreneurs and budding farmers.

The Country Human Resources Manager Nestlé Nigeria, Mr Sola Akinyosoye, stated that celebrating the 2019 International Youth Day was an opportunity to draw the attention of youths to available opportunities in agriculture. Through the 'Nestlé Needs Youth' initiative, there is a focus on the creation of job opportunities and empowerment for the youth. "We do this around three pillars; one of them is employment and employability. We ensure that we train, equip and give support for young Nigerians so they can be self-employed and get employment with us or other companies," Akinyosoye said.

The Chief Executive Officer, Business Incubation Platform, IITA, Dr Fredrick Schreurs, said that youth engagement would pave way for sustainable growth in the agriculture sector. "We take technology coming from IITA and disseminate them to the markets; in line with this, we create jobs for youth Agripreneurs.

The Nestlé Needs Youth is one of the ways Nestlé mitigates the scourge of youth unemployment in the society.
The initiative is focused on several programs and campaigns to boost entrepreneurship and employability among the youth through career fairs and skills training to equip young people to find decent employment or profitable entrepreneurship.

Technical Training Centres (TTC)

Nestlé Nigeria PLC currently runs two Technical Training Centers (TTCs), as part of our commitment to create jobs and encourage entrepreneurship through our Global Youth Initiative, Nestlé Needs YOUth.

The Technical Training Centers aims at bridging the technical skills gap amongst youths in our communities and to make them more employable. It is an 18-month multi-skilled vocational training in machining, mechanical fitting operations, Electrical operations, instrumentation operations and automation.

The top five graduating students each year participate in a 3-month all-expense paid internship in a Nestlé factory in Switzerland.

To date, over 80 participants have successfully completed the program with the company employing over 86% of them .

Nestlé Cares Orphanage Outreach Report

Nestlé Cares provides a platform for employees to give back to society by donating their time and talents to make a positive impact on individuals and families, on communities and the environment.

Nestlé Cares, the employee volunteering program, held orphanage outreaches pan the country between July and August 2019.

The orphanage outreach was an opportunity for employees to reach out to vulnerable children and together, create positive impact.

Highlights of the orphanage outreach included donation of food items and toiletries contributed by the volunteers and matched by the company, as well as training of care givers on good nutrition and hygiene practices, healthy hydration and the need for children to maintain active lifestyles in line with the focus areas for the Nestlé for Healthier Kids initiative.

Over 150 Nestlé volunteers visited 19 orphanages across all regions of the country.

Media Capacity Development

Nestlé Nigeria collaborated with the Lagos Business School Sustainability Centre, Nigerian Union of Journalists (NUJ) and the Pan African University for capacity development of the media. Three trainings were held in 2019 for Nutrition writers, Agricultural writers and Brand Journalists.

The trainings served as opportunity to engage and empower media personnel with the knowledge of Nutrition, Health and Wellness (NHW), Agriculture reporting, impact of Nestlé CSV initiatives, Sustainable Development Goals (SDGs), Sustainability, climate change and food security, particularly in the Nigerian and African context. A total of 89 journalists participated in the trainings.

Our Planet

Water.

11%

Reduced water consumption by 11% and gas emission by 7%

100%

Nestlé aiming at 100% recyclable or reusable packaging by 2025

International Sustainability Conference 2019

The International sustainability Conference with the theme Innovating for Inclusive and Sustainable Growth. held on Wednesday, November 27, 2019, at the Lagos Business School.

The keynote address, delivered by Prof Joseph Nnanna, was on Inclusive Business: Africa's Force for Good, followed by a fireside chat moderated by the Director of the LBS Sustainability Centre, Prof Chris Ogbechie.

Speaking on Creating Shared Value in the Supply Chain, the Corporate Communications and Public Affairs Manager, Nestlé Nigeria PLC highlighted on the ways Nestlé Nigeria is making a difference locally especially through Farmers Capacity Development and Suppliers Development Initiatives.

Conference Conversations centered around projected need for more food, energy and water with estimated world population at 8.3billion by 2030, need for innovations to meet the needs of the huge consumer base at the bottom of the pyramid which can be harnessed for impact and profit as well as technological innovations providing solutions to challenges such as lack of access to healthcare, pollution, poverty and lack of education.

Participants and panelists highlighted that government, research and financial institutions can play a major supporting role in advancing sustainable growth. They reiterated that a large amount of funding is available globally for sustainable businesses noting that funding opportunities such as value capital, strategic equity and private equity, should be maximised.

They concluded by emphasizing the need for executive buy-in for long-term sustainability initiatives in organizations, to ensure that sustainability thinking is adopted by all members of the organization.

CEOs roundtable on Sustainability 2019

The CEOs roundtable on Sustainability held in September 2019 with the theme 'Plastic Waste Mitigation in Nigeria: Efforts, Achievements and Prospects'.

Speaking at the event, Professor Chris Ogbechie, Director, LBS Sustainability Centre said "It is only wise that Nigeria starts looking in the direction of mitigating the challenges that ineffective waste management will cause the country and indeed the global ecosystem in the long run".

The Roundtable explored ideas, actions and frameworks to address plastic pollution in Nigeria with representatives of government agencies, multinationals, academics and other stakeholders in attendance. Participants and panelist drew attention to the significant lack of education with regards to the environmental effects of plastic waste, the need for increased education and sensitization on proper collection and sorting highlighting the need for capita investment in financing of plastic waste management initiatives.

Stakeholders at the Roundtable recommended different measures of addressing the challenge including grassroots awareness campaigns on the reuse and recycling of plastics, policies enforcement by government, investments in R&D to discover new and innovative uses for recycled plastics, creation of Incentives for consumers who deliver their plastic waste to recyclers and recycling hubs They also encouraged collaboration between nonprofits, government and business for improved collection of plastic waste in public areas.

Speakers at the event included Prof Chris Ogbechie – Director, LBS Sustainability Centre, Baker Magunda - MD, Guinness Nigeria PLC, Victoria Uwadoka - Corporate Communications & Public Affairs Manager, Nestlé Nigeria and Folashade Morgan - Chair, Food and Beverage Recycling Alliance (FBRA)

FBRA Membership

Nestlé Nigeria is a leading member of the Food and Beverage Recycling Alliance (FBRA). The aim of this alliance is to drive industry collaboration on post consumption waste management and Recycling.

In 2019, FBRA undertook various public advocacy and outreach campaigns to create awareness on proper sorting, collection and sorting of plastic waste as well as recovery & buy-back scheme for post-consumer packaging wastes




Nestlé Collaboration with WECYCLERS

Nestlé Nigeria PLC on September 20 2019 signed a Memorandum of Understanding (MOU) with an environmental group, Wecyclers, to tackle the challenge of plastic waste pollution in Nigeria.

Nestlés' vision is that none of its product packaging, including plastics ends up in landfills, litter the environment, seas, oceans and waterways. Between 2020 and 2025, Nestlé will phase out all plastics that are not recyclable or are hard to recycle for all its products worldwide. The company's longer-term ambition is to stop plastic leakages into the environment in order to avoid further accumulation of plastics in nature while also achieving plastic neutrality.

The signing of the MOU with Wecyclers, would accelerate the process of recovering and recycling of post-consumption plastic packaging waste in Lagos State by extending plastics waste recovery systems to more communities. The project will also help create 40 direct jobs for collection point operators and sorters and empower an additional 15,000 individuals.

World Clean Up Day

To commemorate the annual World Oceans Day, over 250 Nestlé Nigeria PLC employees with their families and partners cleaned up part of the Okun-Ajah community beach in Lagos, Nigeria.

The clean up exercise which was in partnership with Recycle Points, was used to advocate for cleaner oceans.

It was an opportunity for the company to reiterate its commitment to zero environmental impact by 2030 and its vision that that none of its product packaging, including plastics, should end up in landfills or as litter in our environment, in our seas, oceans and waterways The company is also committed to stewarding resources for future generations as well as shaping sustainable consumption.




World Oceans Day

- Nestlé Nigeria Plc organized market clean up exercises to mark World Cleanup Day 2019.
- These market cleanup exercises which held in 5 markets across Lagos, Ogun and Abaji was geared towards demonstrating Nestlé's responsibility in promoting a clean and healthy environment.
- About 130 Nestlé volunteers participated in the clean up exercise with over 3,200kg of waste collected.



Recognition

Notable Awards in 2019

In recognition of Nestlé Nigeria as a distinguished sector player in the manufacturing industry and its consistent performance in spite of the prevailing economic climate, Nestlé was awarded the following

Capital Market Correspondents Association of Nigeria (CAMCAN) Awards - Most profitable company (Consumer Goods Sector) on the Nigerian Stock Exchange

Performance Earnings and Returns Leadership awards (PEARL) Awards – Sectoral Leadership Awards - Consumer Goods Category and Market Excellence Awards - Return on Equity

International Chamber of Commerce – 20 years membership awards

SERAS Awards – Best company in provision of water and sanitation

Brandcom Awards 2019 - Best Seasoning brand of the year 2019 (MAGGI)

Top 50 brands Nigeria - 2019 Top 50 brands in Nigeria awards

PEARLS Awards – Sectoral Leadership Awards - Consumer Goods Category and Market Excellence Awards - Return on Equity

SERAS Awards – Best Company in provision of water and sanitation

Company Secretary of the Year Award won by Bode Ayeku

ESQ Nigerian Legal Awards, represented by Lere Fashola, Bajomo Abimbola and Temitayo Samuel, presented the 2019 Company Secretary of the Year Award to Bode Ayeku of Nestlé Nigeria Plc.

Application Form for e-Bonus and e-Dividend

Nestlé
Good Food, Good Life

Dear Shareholder(s)

Shareholder's Data Update

In our quest to update shareholders data with the current technology in the Capital Market (i.e. e-Bonus and e-Dividend), we request you to complete this form with the following information:

Tel No:____________________

CSCS A/C No:____________________

Stock Broking Firm:____________________

E-mail Address:____________________

Name of Bank:____________________

Branch of Bank:____________________

Bank Acct No:____________________

Branch Code:____________________

No of Units held:____________________

Name of Shareholder/Corporate Shareholder

and Current Address: ____________________

Registrars' use

Name:____________________

Signature:____________________

Date:____________________

Signature/Right Thumb print of Shareholders

Name of Company in which you have shares:
Nestlé Nigeria Plc

In case of Corporate Shareholders, use company seal

Please notify our Registrars, Greenwich Registrars & Data Solutions Limited, of any change in telephone, address and bank whenever it occurs.

Yours faithfully,
NESTLÉ NIGERIA PLC

Bode Ayeku
Company Secretary/Legal Adviser

Note: ** Please be informed that by filling and sending this form in our Registrars, Greenwich Registrars & Data Solutions Limited Registrars Limited, for processing, you have applied for the e-Dividend and e-Bonus; thereby, authorising NESTLÉ NIGERIA PLC to credit your account in respect of dividends and bonuses electronically.

Please Complete And Return To
Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos.

Affix N50.00
Postage Stamp
Here

The Managing Director,
Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way
Alagomeji, Yaba, Lagos,
P. M. B. 12717, Lagos
Apapa.

Proxy Form

51ST ANNUAL GENERAL MEETING TO BE HELD AT 11.00 a.m.

On Tuesday, 30 June 2020 at the Head Office of Nestlé Nigeria Plc, 22-24, Industrial Avenue, Ilupeju Lagos.

I/We*.. being a member/members of **NESTLÉ NIGERIA PLC** hereby appoint Mr. David Ifezulike or failing him, Mr. Matthew Akinlade or failing him, Mr. Christopher Nwaguru or failing him, Alhaji Kazeem Owonikoko Bello or failing him, Mr. Nornah Awoh or failing him, Mr. Mauricio Alarcon or failing him, Sir. Sunny Nwosu or failing him, Mr. Gbenga Oyebode as my/our Proxy to act and vote for me/us at the Annual General Meeting of the Company to be held on 30 June 2020 and at any adjournment thereof.

Dated this..................day of................................2020

Signature...

Ordinary Business	For	Against
To declare a Final Dividend		
To elect / re-elect Directors:		
Mrs. Juliet Ehimuan		
Mr. Ricardo Chavez		
To appoint Ernst & Young as the new Independent Auditor		
To authorize Directors to fix the remuneration of Auditor		
To elect members of the Audit Committee		
Special Business		
To fix the remuneration of Directors		
To authorize the Company to procure goods and services necessary for its operations from related companies		

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

NOTES:

i. Further to the directive of the Federal and State Governments on the restriction on mass gatherings due to COVID-19 pandemic, the Corporate Affairs Commission has approved that the Annual General Meeting (AGM) be conducted through the use of proxies by shareholders of the Company. Members are therefore advised that attendance at the AGM shall only be by proxy.

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his / her / its place. A proxy need not be a member of the Company. In view of the above, members should appoint a proxy of their choice from the following proxies to represent them at the meeting:

a) Mr. David Ifezulike
b) Mr. Matthew Akinlade
c) Mr. Christopher Nwaguru
d) Alhaji Kazeem Owonikoko Bello
e) Mr. Nornah Awoh
f) Mr. Mauricio Alarcon
g) Sir. Sunny Nwosu
h) Mr. Gbenga Oyebode

ii. Please sign this form and deposit it with the Registrars, Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, or via E-mail: info@gtlregistrars.com not later than 48 hours before the commencement of the meeting. If executed by a corporation, this form should be sealed with its common seal.

iii. For the appointment of the proxy to be valid for the purposes of the meeting, the Company has made arrangements to bear the cost of stamp duties on the instruments of proxy

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NESTLÉ NIGERIA PLC 51ST ANNUAL GENERAL MEETING **ADMISSION CARD**

Please admit the shareholder on this form or his/her duly appointed proxy to the Annual General Meeting of the Company to be held at 22-24 Industrial Avenue, Ilupeju, Lagos at 11.00 a.m. on Tuesday, 30 June 2020.

....	....	....
Name of Shareholder/Proxy & Address	Number of shares held	Sign. of person attending

Note: This card is to be signed at the venue in the presence of the Registrars

Affix N50.00
Postage Stamp
Here

The Managing Director,
Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way
Alagomeji, Yaba, Lagos,
P. M. B. 12717, Lagos
Apapa.

Nestlé Nigeria Plc

Nestlé
Good Food, Good Life

Electronic Delivery Mandate Form

Dear Sir/Madam,

To enable you receive your Annual Reports promptly, your company wishes to introduce electronic delivery of Annual reports and Accounts, Proxy Forms and other statutory documents to shareholders.

With this service, instead of receiving the hard copy of our Annual Report and other corporate documents in future, you can elect to receive a soft copy of the Annual Reports, Proxy Form, through e-mail or the electronic link to be forwarded to your email address.

Please complete this self-addressed form and return the completed form to:

The Managing Director
Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way,
Alagomeji, Yaba, Lagos.
P.M.B. 12717 Apapa,
Lagos

or any of their branches nationwide.

Bode Ayeku
Company Secretary/Legal Adviser

I,

OF

HEREBY AGREE TO THE ELECTRONIC DELIVERY OF ANNUAL REPORT, PROXY FORM, PROSPECTUS, NEWSLETTER AND STATUTORY DOCUMENTS OF NESTLE NIGERIA PLC TO ME, THROUGH:

☐ I WILL DOWNLOAD FROM MY EMAIL OR THE WEB ADDRESS FORWARDED TO MY E-MAIL ADDRESS STATED BELOW.

MY EMAIL ADDRESS:

DESCRIPTION OF SERVICE:
By enrolling in electronic delivery service, you have agreed to receive future announcements/shareholder communication materials stated above by E-mail/Internet Address (URL). These materials can be made available to you electronically, quarterly, semi-annually or annually. Annual Report, Proxy Form, Prospectus and Newsletters are examples of shareholders' communication that can be made available to you electronically. The subscription enrollment will be effective for all your holdings in Nestlé Nigeria Plc on an on-going basis unless you change or cancel your enrollment.

This initiative is in line with our determination to help protect our planet's environment, and the consolidated SEC rule 128 (6) of September 2011 which states that "A Registrar of a public company may dispatch Annual Reports and Notices of General Meetings to Shareholders by electronic means"

Name (Surname first)

Signature and Date

Affix N50.00
Postage Stamp
Here

The Managing Director,
Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way
Alagomeji, Yaba, Lagos,
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