Nestlé Good food, Good life

Nestlé Nigeria Plc
(RC 6540)

2020 ANNUAL REPORT AND ACCOUNTS

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Our Profile

Nestlé Nigeria – Nourishing Nigeria since 1961
Purpose: Unlocking the power of food to enhance quality of life for everyone today and for generations to come.

Nestlé
Good food, Good life

ABOUT NESTLÉ NIGERIA PLC

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

For over 59 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®.

Our Products

Nestlé Nigeria manufactures and markets a range of high quality brands including MAGGI® Star, MAGGI® Chicken, MAGGI® Crayfish, MAGGI® Mix'py, MAGGI® Naija Pot, MAGGI® Signature, MILO®, MILO Energy Cubes®, MILO® Ready-to-Drink (RTD), GOLDEN MORN® Maize, GOLDEN MORN® Maize and Soya, GOLDEN MORN® Puffs, Nestlé PURE LIFE®, NESCAFÉ®, CERELAC®, CERELAC® Junior, NUTREND®, LACTOGEN® 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 2015 to 2020, Nestlé Nigeria spent over N74 billion on productive investment across its manufacturing operations and over N5.9 billion in creating shared value.

How we do business – Creating Shared Value

We are Nestlé, the Good food, Good life company. We believe in the power of food to enhance life.

At Nestlé, we are committed to enabling people to lead healthier, happier lives by continuously improving our products, providing affordable nutrition for everyone. Beyond delivering tasty and nutritious products to consumers, we work alongside stakeholders to build strong communities and supply chains while improving livelihoods in communities directly connected to our business activities. We take ambitious steps towards protecting our planet for future generations by renovating our products and packaging, increasing awareness and action on reducing waste, and managing post consumption waste sustainably.

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). We therefore focus our energy and resources where unlocking the power of food can make the greatest difference to the lives of people, protect and enhance the environment, and generate significant value for our shareholders and other stakeholders alike.

Our CSV focus areas include improving access to clean drinking water, the economic empowerment of local farmers and processors, protecting the environment and empowering youth as future leaders.

Our People

A strong pillar of Nestlé Nigeria's continuous success is our people. We therefore continue to invest in keeping our over 2,200 direct employees motivated to deliver their best performance. In the past 5 years, we have invested over N800 million (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 2020, we inducted the second set of participants into Nestlé Sales Academy, a partnership with the prestigious Lagos Business School in continuation of 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. Product renovations introduced into the market in 2020 include MAGGI® Chicken powdered seasoning and the new Golden Morn multi-cereal fortified with iron and other micronutrients to help address the Iron Deficiency challenge.

COVID-19 Response

N700Million

Nestlé Nigeria Plc Contributes Over N700 million to response efforts

Notable Awards in 2020

In recognition of Nestlé Nigeria as a distinguished sector player, our Company received the following awards:

- ADVAN Awards for Marketing Excellence 2020 – Advan Community Hero - Frontline of COVID-19 relief initiatives in Nigeria
- SERAS Awards - Best Company in Eradication of Hunger and Food Security
- BRANDCOM Awards - Best Beverage Drink in Nigeria (MILO)
- DAME Awards - Sponsorship of the Nutrition Reporting category of the awards.
- ICSAN Recognition Award - Promoting good Corporate Governance through sponsorship & support

How we Create Shared Value for Individuals and families

Nestlé Nigeria brings affordable nutritious food and beverages of the highest quality, adapted to local cuisine to consumers across Nigeria.

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 continues 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 relevant information to make healthier nutrition choices for their families. Over the years, we have promoted an inclusive healthy lifestyle, combining good nutrition with physical activity. Building on the impact of past years, we reached over 500,000 people in 2020, leveraging online channels in view of the COVID-19 challenges.

How we Create Shared Value for communities

Building strong communities and improving livelihoods in communities directly connected to our business activities.

We serve with passion and build for the long term, as we invest in activities and programs that promote economic and social empowerment.

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

To ensure sustainability, we work alongside stakeholders and partners to build the capacity of the over 46,000 farmers who supply maize, soybean, sorghum and millet to our factories through training and mentorship programs. We have contributed towards improving the household incomes of farmers in our communities, and reduced factory gate rejections from over 30% to below 4% by equipping them to increase productivity and improve crop quality. 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.

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 in rural communities.

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 under the My Own Business (MyOwBu) initiative. Nestlé runs two state-of-the-art Technical Training Centers (TTC) the Agbara factory and 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 London City and Guilds Technician certificate.

"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."

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, currently reaching over 17,000 people living in the communities closest to our business operations.

How we make impact on the Planet

At Nestlé, we recognize the growing challenge and the collective responsibility to manage the world's resources for future generations. We therefore strive to protect our planet for future generations by enhancing the environmental performance of our operations. In addition, we are taking bold ambitious steps in line with our sustainability goals to advance the health of our planet. Some of our actions include decreasing water consumption by increasing our water recycling initiatives and promoting the safe reuse of wastewater. We are also reducing our gas emissions year on year.

Nestlé Nigeria is a founding member of the Food and Beverage Recycling Alliance (FBRA) which aims to find creative solutions to managing plastic waste while preventing leakage into the ocean.

Nestlé is also working with Wecyclers and Chanja Datti to extend plastic waste recovery systems to more communities, creating direct jobs for collection point operators and sorters, while removing more plastic waste from the environment.

To give expression to Nestlé employee's desire to give back to their communities, Nestlé Cares Staff Volunteer Program was launched in Nigeria in 2019. Since then, Nestlé Nigeria volunteers have carried out various activities to project and rejuvenate the environment resulting in the removal of >500kg of waste from the envronment.

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.

Performance Indicators

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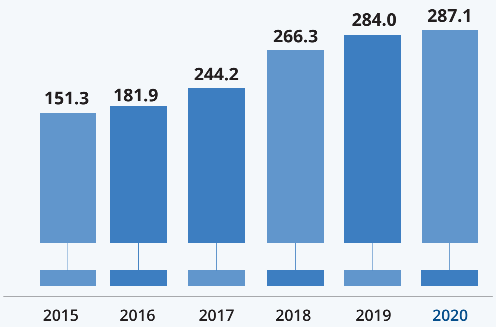
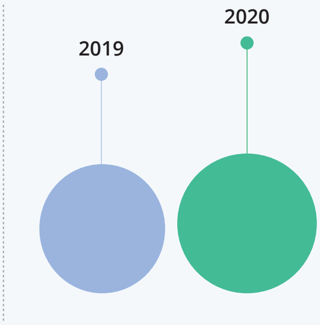
Turnover (NGN billion)



Turnover Development

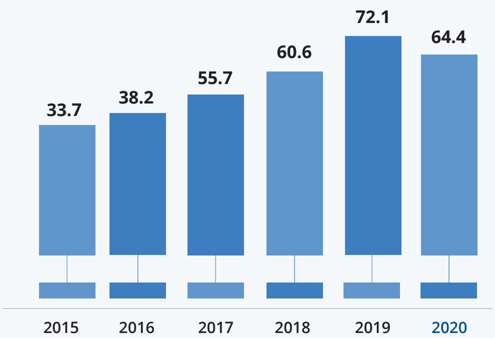


1% ↑
Turnover growth from 2019 to 2020

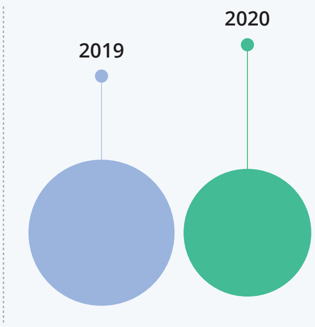
90% ↑
Turnover growth over the last five years

- All Segments and Businesses with strong turnover development

Operating Profit (NGN billion)



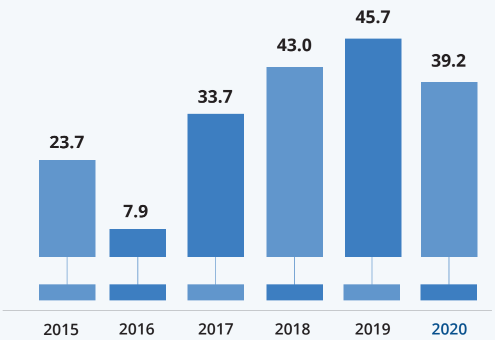
Operating Profit Development



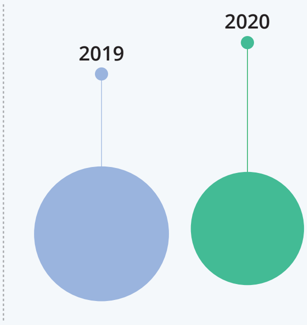
11% ↓
Operating profit development from 2019 to 2020

91% ↑
Operating profit development over the last five years

Profit After Tax (NGN billion)



Profit After Tax Development



14% ↓
Profit after tax development from 2019 to 2020

65% ↑
Profit after tax development over the last five years

Performance Indicators

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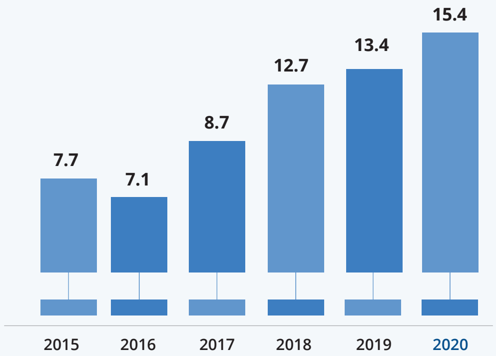
Investments (NGN billion)



Investments

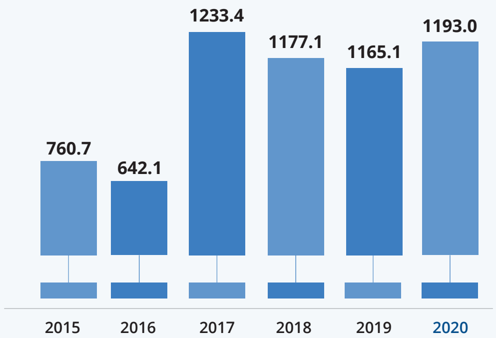
N15.4Billion

Investments of NGN 15.4 Bio in year 2020

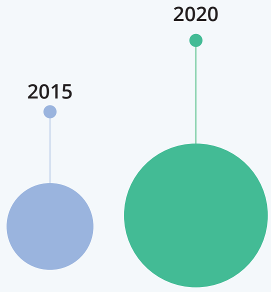
N57.3Billion

Investments of NGN57.3 Bio during the last five years

Market Capitalization (NGN billion)



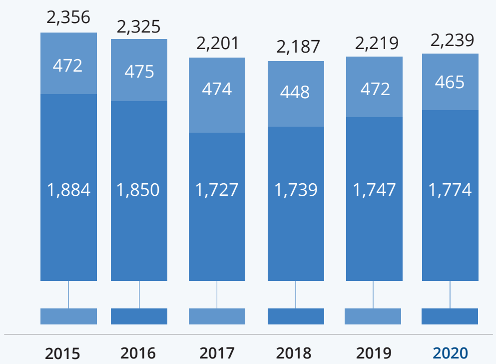
Market Capitalization Development



57%

Growth of Market Capitalization from 2015 to 2020

Employment



Employment Development

2,239

Total staff strength of 2,239 at the end of 2020

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of Nestlé Nigeria Plc will be held at its Head Office, 22-24, Industrial Avenue, Ilupeju, Lagos, on Tuesday, 22 June 2021 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 2020 and the Reports of the Auditors and the Audit Committee thereon

2. To declare a Final Dividend

3. To elect / re-elect Directors

4. To authorize the Directors to fix the remuneration of the Auditors

5. To disclose the remuneration of the managers of the Company in line with the provisions of the Companies & Allied Matters Act 2020

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 recurrent 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 in the Coronavirus Disease (COVID-19) Health Protection Regulations 2021 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 / her stead.

a) Mr. David Ifezulike
b) Mr. Matthew Akinlade
c) Mr. Christopher Nwaguru
d) Alhaji Kazeem Owonikoko Bello
e) Mrs. Bisi Bakare
f) Chief Timothy Adesiyan
g) Mr. Nornah Awoh
h) Mr. Wassim Elhusseini
i) Sir. Sunny Nwosu
j) Mr. Gbenga Oyebode
k) Mr. Anthony Omojola
l) Mr. Boniface Okezie

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 Wednesday, 23 June 2021 to shareholders whose names are registered in the Company's Register of Members at the close of business on Friday, 21 May 2021. Notice is therefore hereby given that the Register of Members and Transfer Books of the Company will be closed from Monday, 24 May 2021 to Friday, 28 May 2021, 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 2 Non-Executive Directors. In accordance with Section 404 of the Companies and Allied Matters Act, 2020, (CAMA) 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. We request shareholders to note Section 404 (5) of CAMA which provides that "All members of the Audit Committee shall be financially literate, and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly".

(d) UNCLAIMED DIVIDENDS: 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 Annual Report and Accounts and **the names of shareholders having unclaimed dividends can be accessed on our investors' portal:** www.nestle-cwa.com/en/investors/nigeria. 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 2020 Annual Report can be accessed on our website and will be sent to our shareholders who have provided their email addresses to the Registrars. Shareholders who are interested in receiving the soft copy of the 2020 Annual Report should request via email to: info@gtlregistrars.com

Dated 25 February 2021
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 52nd Annual General Meeting of Nestlé Nigeria Plc
on June 22, 2021

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CHAIRMAN'S STATEMENT

MR. DAVID IFEZULIKE

Shareholders, Board Members, ladies and gentlemen of the press, welcome to the 52nd Annual General Meeting of our company - Nestlé Nigeria Plc.

As a company, for over 59 years in Nigeria, we constantly explore and aim to push the boundaries of what is possible with food, beverages, and nutritional health solutions to enhance quality of life and contribute to a healthier future, both for our people and the planet.

As you are all aware, in 2020, the world witnessed a dramatic shift away from the norm triggered by the COVID-19 pandemic which continues to devastate mankind as businesses grapple for sustainable ways of ensuring business continuity and growth amidst the new challenges.

Business Environment

2020 was challenging for businesses, as the COVID-19 pandemic soared, resulting in the most drastic increase in input costs ever. Governments across the globe shifted attention from the wellbeing of their economies to finding a cure and vaccine for the deadly disease.

Nigeria was hard-hit by the new reality as travel, transportation and the movement of goods especially raw materials became critical. Consumers were also impacted by rising inflation and significant reduction in disposable income owing to increases in electricity tariff and the cost of petrol.

Nigeria officially entered a recession in the third quarter of 2020 with a GDP growth rate of -3.62% (year-on-year) in real terms in the 3rd quarter. This was however an improvement from the -6.10% growth recorded in the 2nd quarter.

The COVID-19 pandemic further worsened the problems associated with doing business in Nigeria – inadequate power supply, low budget implementation and poor transport infrastructure.

Financial Results

In 2020, our company demonstrated its resilience in the tough business environment. Nestlé Nigeria PLC recorded a -14% decrease in profit after tax over the 2019 due to the impact of the lockdowns to mitigate the impact of the COVID19 pandemic. We applaud the resilience of the management and staff in these challenging times. Our result reflects the professionalism of the management and staff of our company to quickly adapt to challenges and changes within the market.

More highlights of our operating results are on page 31 of this Annual Report and Accounts. The highlights can also be accessed on our investor website at https://www.nestle-cwa.com/en/investors/nigeria

Dividend

It is our commitment to continuously maximize long-term value for our shareholders by accelerating growth, improving margins, and allocating resources and capital prudently. I am therefore pleased to announce that the Board recommends for the consideration and approval of shareholders at this meeting, a total final dividend of N28,139,296,946 or N35.50 per ordinary share.

If the recommendation is approved, payment will be made on Wednesday, June 23, 2021, subject to the deduction of withholding tax at the applicable rate.

Marketing, Sales and Product Performance

In 2020, we were guided by our vision to bring affordable, safe, and high-quality nutrition to everyone in Nigeria. Our efforts focused on navigating the new market realities triggered by the COVID-19 pandemic. The brands worked tirelessly to find new ways to grow market share, expand our route to market and increase penetration leveraging our popularly priced products (PPP) strategy with the firm support of our efficient distribution network.

Employees

Despite the strained business environment in 2020, Nestlé Nigeria continued to empower our people to deliver outstanding results for themselves, for the organization and for society. The second set of participants in the Nestlé Sales Academy matriculated into the distinguished program delivered in partnership with the Lagos Business School. Our staff strength stood at 2,239 direct full-time employees as at 31 December 2020.

Creating Shared Value (CSV)

At Nestlé, we live our purpose which is, unlocking the power of food to enhance quality of life for everyone today and for generations to come. We believe that by Creating Shared Value (CSV) for all stakeholders, we will continue to ensure long-term, sustainable value creation for shareholders while tackling societal issues. In 2020, our Company continued to enable positive outcomes for individuals and families, its communities and the environment in which it operates.

We continued to deliver on Nestlé's commitment to capacity development of youth in collaboration with our stakeholders - (ITF, NECA, Ministry of Youth & Sports, Ministry of Trade & Industry), to increase the reach and impact of the Nestlé Technical Training centres at Agbara and Abaji.

We launched the Nestlé Community Scholarship Scheme to reach the communities closest to our Flowergate and Abaji factories in 2020. Also in 2020, over 120 teachers and monitors were trained to help deliver the objectives of the Nestlé for Healthier Kids (N4HK) program. In three of the N4HK schools, we established brand new water and sanitation projects providing access to safe water and sanitation facilities to 3,000 additional beneficiaries - including educators, learners, individuals and families within the communities. This brings the total number of beneficiaries to 17,000 people. The schools are, Oke-Ona United School, Abeokuta, St Paul's Anglican School, Orile Imo in Obafemi Owode and Salvation Army School 2, Agbara – all in Ogun State.

Through Nestlé Cares volunteer program initiatives, over 700 children in 19 orphanages across the country were reached with food and sanitary materials during the COVID-19 pandemic lockdowns and as well as at the end of the year, to ensure sustainable adequate nourishment of this vulnerable demographic.
Nestlé Cares volunteer program also provided a platform for volunteers to demonstrate their personal commitment to the environment by removing over 500kg of waste from the environment through market clean-up initiatives in 7 cities across the country. Donation of books and mentoring in public secondary schools around our locations of operation were also carried out.

Our Company renovated the library and provided a crèche for Makun Secondary School Sagamu. These initiatives helped to improve the learning and teaching environment for the students and teachers.

In the peculiar year we all lived through, Nestlé demonstrated its commitment to its communities by also donating over N700m to support the COVID-19 response efforts in Nigeria.

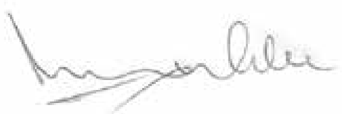
Outlook for 2021

2021 is predicted to be another challenging year as economies try to recover from the after-effects of the COVID-19 pandemic. Nigeria is not exempt from the headwinds. In January, the International Monetary Fund (IMF) downgraded forecasts for Nigeria's recovery in 2021 to 1.5 percent, 0.2 percent lower than its October 2020 projection of 1.7 percent.

In 2021, the increase in electricity tariffs and fuel prices will continue to shrink the disposable income of families across Nigeria even as they contend to keep their families safe and healthy. In line with our commitment, we will continue to work to ensure the availability of affordable nutrition for the individuals and families who depend on us to nourish their families daily. We will achieve this by continuing to leverage our research and development capabilities to unlock the power of food to enhance quality of life for everyone, today and for generations to come.

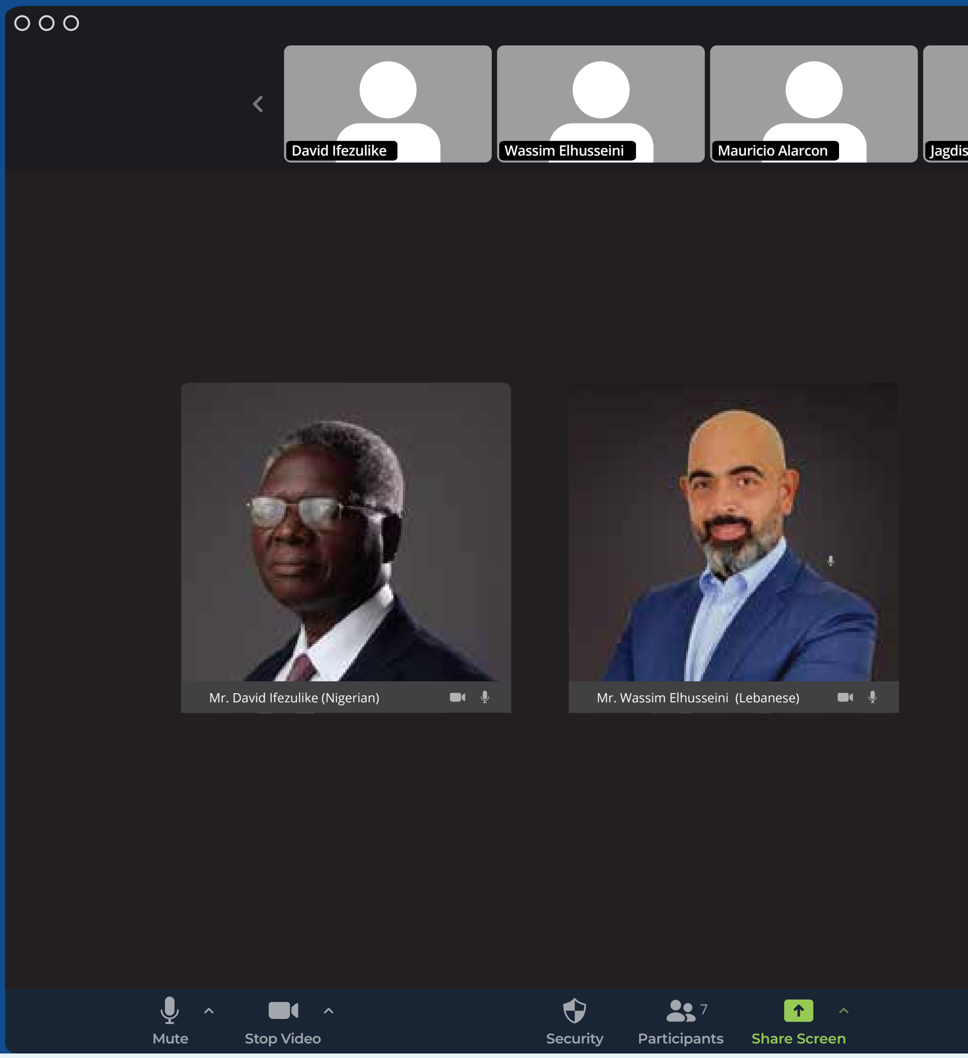
Finally, I thank you our shareholders, for the confidence you repose in the board and management of Nestlé Nigeria PLC to deliver on our business objectives while creating value for society.

Dear Shareholders, Ladies and Gentlemen, we are Nestlé, the Good food, Good life company.



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 from the Imperial College, London. 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. Wassim Elhusseini (Lebanese) is the Managing Director / Chief Executive Officer of the Company. He joined Nestlé Kuwait in 2002 as Channel Category Sales Development (CCSD) Manager for Coffee & Creamers. In 2015, he moved to Nestlé Middle East to lead the CCSD Unit. He was promoted to Business Development Manager for Saudi Arabia in 2006.

After four years in the role, Mr. Elhusseini was appointed as Sales Lead in the Saudi joint-venture project. He was promoted to Head of Sales for Nestlé Saudi Arabia where he demonstrated his ability to manage complexities and a large sales force. Appointed Sales Director of Nestlé Middle East in 2016, Mr. Elhusseini positively contributed to the business from a functional and leadership perspective.

He also played an integral role in the creation of the new MENA region, comprising 16 countries, before his role was expanded to Country Manager and Sales Director in 2020. He was appointed to the Board as the Managing Director of the Company with effect from 1 September 2020.

3. Mr. Mauricio Alarcon (Mexican) is a non-executive director 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.

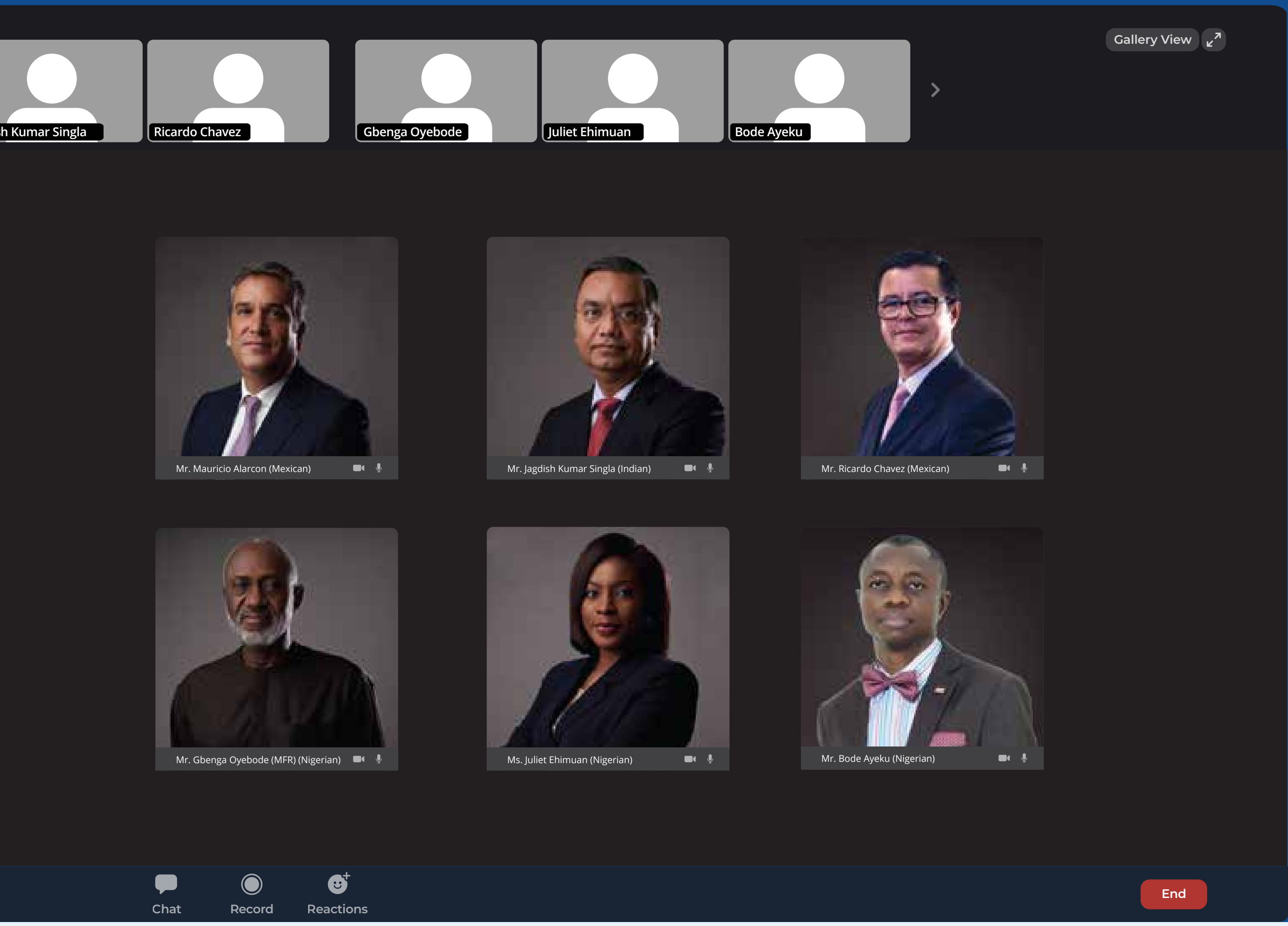
In 2010, he joined Nestlé Egypt as Business Executive Manager, Ice Cream where his dynamism played a key role in transforming the business. Under his leadership, the Ice Cream business turnover in Nestlé Egypt more than doubled and the profitability improved in a challenging environment.

He was the Managing Director of Nestlé Côte d'Ivoire from 2014 to September 2016 and the Managing Director of Nestlé Nigeria Plc from 1 October 2016 to 31 August 2020 before his appointment as the Market Head of Nestlé Central and West Africa Region from 1 September 2020.

4. Mr. Jagdish Kumar Singla (Indian) is the Finance and Control Director of the Company. He joined Nestlé India in 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 where he played a key role in preserving internal control and transforming audit and control processes. He was the Country Controller of Nestlé Sri Lanka from October 2014 to December 2017 where he displayed solid leadership and strong functional knowledge. He was appointed to the Board with effect from 1 January 2018.

5. Mr. Ricardo Chavez (Mexican) is a non-executive director and the Head of Finance and Control of Nestlé CWA Region comprising 25 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, PZ Cussons Nigeria 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. Ms. 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.

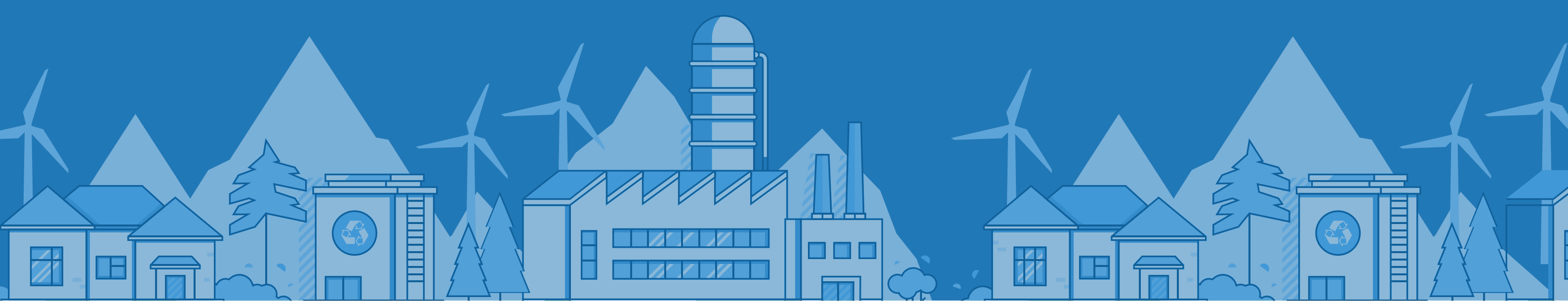
She started a firm called Strategic Insight Consulting Limited and later became the General Manager of Chams Plc's Strategic Business Units. In April 2011, she was appointed Google's Country Manager for Nigeria. She holds a degree in Computer Engineering from the Obafemi Awolowo University; Postgraduate 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. 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 is a member of the Nigerian Bar Association. He joined the Company in October 2005 as the Deputy Company Secretary. He is a Fellow and President of the Institute of Chartered Secretaries & Administrators of Nigeria and the Vice President of Corporate Secretaries International Association. 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 2020



Corporate Governance Report 2020

Background

Nestlé Nigeria Plc (hereinafter "Nestlé" or "the Company") continually seeks to create long-term shareholder value. 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.

Nestlé's commitment to sound Corporate Governance goes back to its very early days. Nestlé published its Corporate Governance Principles for the first time in September 2000. Today, these are incorporated in the Nestlé Global Management Report. Nestlé complied with these principles even before the introduction of the 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 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 International Chamber of Commerce (ICC) Business Charter for Sustainable Development (1991), the Organisation for Economic Co-operation and Development (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 Nigerian Code of Corporate Governance 2018 and the mandatory provisions of the Securities and Exchange Commission Corporate Governance Guideline 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 10 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	28 February, 2020	30 June, 2020	29 July, 2020	27 October, 2020	Total
Mr. David Ifezulike	✓	✓	✓	✓	4
Mr. Wassim Elhusseini	NYA	NYA	NYA	✓	1
Mr. Mauricio Alarcon	✓	✓	✓	✓	4
Mr. Jagdish Singla	✓	✓	✓	✓	4
Mr. Remy Ejel	✓	✓	✓	R	3
Mr. Ricardo Chavez	✓	✓	✓	✓	4
Mr. Gbenga Oyebode	✓	✓	✓	✓	4
Ms. Juliet Ehimuan	✓	✓	✓	✓	4

✓ Present NYA Not Yet Appointed R Resigned on 31/8/2020

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, they 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, ensure compliance of the company with all relevant rules and regulations, evaluate its financial performance, 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 2020 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) **Mr. Wassim Elhusseini (Lebanese)** joined Nestlé Kuwait in 2002 as Channel Category Sales Development (CCSD) Manager for Coffee & Creamers. In 2015, he moved to Nestlé Middle East to lead the CCSD Unit for the category in the region. He was then promoted to Business Development Manager for Saudi Arabia in 2006. After four years, Mr. Elhusseini was appointed as Sales Lead in the Saudi joint-venture project. Next, he was promoted to Head of Sales of the then newly established Nestlé Saudi Arabia where he demonstrated his ability to manage complexity and a large sales force.

He held the General Business Manager role in both Nestlé Jordan and Nestlé UAE where his close partnership with his management team was much valued, along with his continuous excellence mindset and passion for people. Appointed Sales Director of Nestlé Middle East in 2016, Mr. Elhusseini positively contributed to the business from a functional and leadership perspective. He also played an integral role in the creation of the new MENA region, comprising 16 countries, before his role was expanded to Country Manager and Sales Director in 2020. He was appointed the Managing Director of the Company with effect from 1 September 2020.

b) **Mr. Mauricio Alarcon (Mexican)** is the Market Head of Nestlé Central and West Africa Region comprising 25 countries with head office in Ghana and a non-executive director of the Company, effective September 1, 2020. He 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 and the Managing Director of the Company between October 1, 2016 and August 31, 2020.

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 February 11, 2020 and July 29, 2020 and discharged their responsibilities excellently in 2020.

The table below shows the members who served on the committee in 2020 and their attendance at meetings:

Nomination, Governance and Remuneration Committee			
	Date of Meeting		
Name	11 February, 2020	29 July, 2020	Total
Mr. Remy Ejel	✓	✓	2
Mr. Mauricio Alarcon	NYA	NYA	NYA
Mr. Ricardo Chavez	✓	✓	2
Mr. Gbenga Oyebode	✓	✓	2

✓ Present NYA Not Yet Appointed

Board Audit and Risk Management Committee

The Committee is to assist the Board on audit, 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.

The terms of reference of the Audit and Risk Management Committee are:

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.

Meetings of the Committee were held on 28 February, 2020, 29 July, 2020 and 27 October, 2020 and the Committee discharged their responsibilities excellently in 2020.

The table below shows the Directors who served on the Committee in 2020 and their attendance at meetings:

Board Audit and Risk Management Committee				
	Date of Meeting			
Name	28 February, 2020	29 July, 2020	27 October, 2020	Total
Mr. Gbenga Oyebode	✓	✓	✓	3
Mr. Ricardo Chavez	✓	✓	✓	3
Ms. Juliet Ehimuan	✓	✓	✓	3
✓ Present				

Statutory Audit Committee

The Committee is established to perform the functions stated in Section 404 (7) 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					
	Date of Meeting				
Name	28 February, 2020	7 May, 2020	29 July, 2020	29 October, 2020	Total
Mr. Matthew Akinlade	✓	✓	✓	✓	4
Mr. Christopher Nwaguru	✓	✓	✓	✓	4
Alhaji Kazeem Owonikoko Bello	✓	✓	✓	✓	4
Mr. Ricardo Chavez	✓	✓	✓	✓	4
Mr. Gbenga Oyebode	✓	✓	✓	✓	4
Ms. Juliet Ehimuan	✓	✓	✓	✓	4

✓ Present

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 Charter, Audit and Risk Management Committee Charter, Internal Audit Charter and Remuneration Policy, Claw Back Policy, Stakeholder Management and Communication Policy, Information Technology Data Governance Framework, Sustainability Policy, Code of Business Conduct and Ethics applicable to all stakeholders, Securities Trading Policy, Whistleblowing Policy and Internal Control 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.

Board Remuneration

There is Board-approved remuneration policy for non-executive directors who are not employees of Nestle. They are paid annual director's fee, annual travel and sitting allowances for meetings.

The Nomination, Governance & Remuneration Committee makes recommendations to the Board on the remuneration of directors.

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.

Reporting on the Application of the 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 completed the Template for Reporting Compliance with the Nigerian Code of Corporate Governance 2018 issued by the Financial Reporting Council of Nigeria (FRCN) and forwarded same to the FRCN, the Securities and Exchange Commission and The Nigerian Stock Exchange. The full report is posted on our investors' portal: https://www.nestle-cwa.com/en/investors/nigeria and its highlights are incorporated in relevant areas of this report for ease of reference by our stakeholders.

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.

Also, Management communicates corporate issues to employees regularly through circulars and newsletters - "INSIDER Nestlé News". Nestlé Nigeria 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;

Corporate Governance Score

89.43%

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:** 70182 or **Tell us hotline:** 070 8060 1488.

Creating Shared Value

The Company impacts on the community through the peculiar initiatives known as Creating Shared Value (CSV) with a special focus on Nutrition, Water and Rural Development. The Company is convinced that these initiatives will improve the livelihood of our community and make our business more competitive. Nestlé Nigeria remains committed to Creating Shared Value by improving access to clean water and sanitation facilities in the communities closest to its factories; empowering farmers to increase their household income through improved crop quality and quantity; educating children and youth on living healthier lives; empowering young people with technical skills for gainful employment all while protecting the environment.

Environmental Protection

Nestlé Nigeria recognizes the growing challenge and the collective responsibility to manage the world's resources for future generations. We therefore strive to protect our planet by enhancing the environmental performance of our operations. Some of our actions include decreasing water consumption in our operations by increasing our water recycling initiatives and promoting the safe reuse of wastewater. We are also reducing our gas emissions year on year.

Nestlé Nigeria is a founding member of the Food and Beverage Recycling Alliance (FBRA) which aims to find creative solutions to managing plastic waste while preventing leakage into the ocean.

Among the key success drivers in Nestlé's environmental management programme is the provision of waste water treatment facilities across our sites.

In order to further reduce the impact of its operations on the environment, Nestlé has built a new Distribution Centre within its Agbara factory to eliminate the additional negative impact of transporting raw materials between Ota and Agbara.

HIV/AIDS

Our Company always endeavors to provide a safe and healthy working environment for its employees. The Company makes available to all employees periodic voluntary and free HIV/AIDS screening and confidential counselling sessions to enable them ascertain 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.

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 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 a soft copy of our annual report and accounts via

Independent Auditor

The Company's external auditor, Ernst & Young, was appointed on 30 June 2020.

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 22 June 2021.

The aggregate value of all transactions entered into with related companies during the financial year as stated on pages 116 and 117 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 based on the transfer pricing compliance exercise it earlier conducted that the method and procedure in (iv) 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.

Complaint 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@gtlregisrars.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

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)

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 Account.

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)

Approved by:

Mr. Wassim Elhusseini
Managing Director/Chief Executive Officer

Mr. Bode Ayeku
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 Inter-Bank 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: 08158992944

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

PORT HARCOURT BRANCH
No 26 Aba Road, Opp. Oando filling station Port Harcourt, State Tel: 08079891060

Nestlé Good food, Good life

Financial Statements 2020

Financial statements

Directors and Other Corporate Information

Board of Directors	Mr. David Ifezulike	Chairman
	Mr. Wassim Elhusseini (Lebanese)	Managing Director/Chief Executive Officer (Appointed with effect from 01/09/2020)
	Mr. Remy Ejel (French)	Non-Executive Director (Up to 31/08/2020)
	Mr. Jagdish Singla (Indian)	Finance & Control Director
	Mr. Mauricio Alarcon (Mexican)	Non-Executive Director
	Mr. Ricardo Chavez (Mexican)	Non-Executive Director
	Mr. Gbenga Oyebode	Independent Non-Executive Director
	Ms. Juliet Ehimuan	Independent Non-Executive Director (Appointed with effect from 24/02/2020)
Company Secretary/ Legal Adviser	Mr. Bode Ayeku	
Registered Office	22-24, Industrial Avenue Ilupeju, Lagos Tel: 01 – 2798184, 2798188, 2790707	
Tax Identification Number	00389604-0001	
Registrars	Greenwich Registrars & Data Solutions Limited 274 Murtala Muhammed Way Alagomeji, Yaba, Lagos Tel: 01- 5803369, 5451399, 5803367	
Independent Auditor	Ernst & Young 10th & 13th floors, UBA House 57 Marina Lagos, Nigeria Tel: +234(1)6314500	
Members of the Audit Committee	Mr. Matthew Akinlade	Chairman
	Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
	Mr. Christopher Nwaguru	Shareholders' Representative
	Mr. Ricardo Chavez (Mexican)	Directors' Representative
	Mr. Gbenga Oyebode	Directors' Representative
	Ms. Juliet Ehimuan	Directors' Representative (Appointed on 24/02/2020)

Financial Highlights

In thousands of naira	2020	2019	Increase /(Decrease)%
Revenue	287,084,087	284,035,255	1%
Profit before income tax	60,638,443	71,123,824	-15%
Profit for the year	39,212,025	45,683,113	-14%
Declared dividend*	55,485,937	50,333,672	10%
Issued share capital	396,328	396,328	0%
Total equity	29,296,984	45,557,630	-36%
Data per 50k share			
Basic earnings	N49.47	N57.63	
Declared dividend	N70.00	N63.50	
Net assets	N36.96	N57.47	
Dividend per 50k share in respect of current year results only			
Interim dividend declared	N25.00	N25.00	
Final dividend proposed**	N35.50	N45.00	
Stock Exchange Information			
Stock exchange quotation at 31 December in Naira per share	1,505.00	1,465.90	3%
Number of shares issued ('000)	792,656	792,656	-
Market capitalisation at 31 December (N: million)	1,192,948	1,165,125	2%

* Declared dividend represents the interim dividend declared during the year (N25.00 from the current year 31 December 2020 profit) and final dividend proposed for the preceding year but paid in the current year.

** The directors propose a final dividend of N35.50, (N24.50k from the profit after tax for the year ended 31 December 2020, N5.00 and N6.00 from the after tax retained earnings for the year ended 31 December 2019 and 31 December 2018 respectively (2019:N45.00) per share on the issued share capital of 792,656,252 (2019:792,656,252) ordinary shares of 50k each, subject to approval by the shareholders at the Annual General Meeting.

Directors' Report
For the year ended 31 December 2020

Nestlé
Good food, Good life

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 2020.

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:

	2020	2019
	N'000	N'000
Revenue	287,084,087	284,035,255
Results from operating activities	64,418,583	72,062,046
Profit before income tax	60,638,443	71,123,824
Profit for the year	39,212,025	45,683,113
Total comprehensive income for the year	39,212,025	45,683,113

4. Dividend

The Directors recommend the payment of a final dividend of N35.50K (2019: N45.00) per share having earlier declared an interim dividend of N25.00 (2019: N25.00 from the profit of 2019) on the issued share capital of 792,656,252 (2019:792,656,252) ordinary shares of 50k each. The proposed final dividend of N35.50K is composed of N24.50K from the after tax profit for the year ended 31 December 2020, and N5.00 and N6.00 from the after tax retained earnings of the years ended 31 December 2019 and 2018, respectively. If the proposed dividend of N35.50K 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 N60.50K

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:

Interest in the Ordinary Shares of the Company			
	Appointed/(Resigned)	2020	2019
Mr. David Ifezulike - Chairman		56,255	56,255
Mr. Wassim Elhusseini (Lebanese) - MD/CEO	1/09/2020	Nil	Nil
Mr. Mauricio Alarcon (Mexican)		Nil	Nil
Mr. Jagdish Singla (Indian)		Nil	Nil
Mr. Remy Ejel (French)	(31/08/2020)	Nil	Nil
Mr. Ricardo Chavez (Mexican)		Nil	Nil
Mr. Gbenga Oyebode		Nil	Nil
Ms. Juliet Ehimuan	24/02/2020	2,146	2,146

No shares of the Company were held by Nestlé S.A. Switzerland as indirect holdings in favour of Directors. However, as at 31 December 2020, Mr. Wassim Elhusseini has 2,472 Restricted Stock Units (RSUP) in Nestlé S.A. Switzerland, all of which are outstanding i.e. to be vested in the coming three years; Mr. Jagdish Singla has 1278 shares plus 1160 RSUP options of Nestlé S.A. Switzerland and 75 shares of Nestlé India Limited; Mr. Ricardo Chavez has 19,256 shares of Nestlé S.A. Switzerland and 3,926 RSUP of Nestlé S.A. Switzerland and Mr. Mauricio Alarcon has 4,762 stock options of Nestlé S.A. Switzerland. Mr. Mauricio Alarcon and Mr. Ricardo Chavez are representing Nestlé S.A., Switzerland on the Board.

(b) Mr. Gbenga Oyebode is the Chairman of CFAO Nigeria Plc, one of our vehicle suppliers. In accordance with Section 303 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 284(2) of the Companies and Allied Matters Act of Nigeria, the Record of Directors' Attendance at Board Meetings held in 2020 is available at the Annual General Meeting for inspection.

7. Analysis of Shareholdings

	Number of shareholders	%	Number of shares	%
1 - 5,000	26,866	89.39	21,265,397	2.68
5,001 - 10,000	1,581	5.26	10,839,371	1.37
10,001 - 50,000	1,248	4.15	24,995,981	3.15
50,001 - 100,000	155	0.52	10,777,146	1.36
100,001 - 500,000	132	0.44	27,658,466	3.49
500,001 - 1,000,000	33	0.11	23,809,239	3.00
1,000,001 - 5,000,000	27	0.09	53,923,588	6.80
5,000,001 - 10,000,000	9	0.03	60,856,299	7.68
10,000,001 and above	2	0.01	31,449,795	3.97
Minority shareholders	30,053	100.00	265,575,282	33.50
Nestlé S.A, Switzerland *	1	0.01	527,080,970	66.50
	30,054	**100**	**792,656,252**	**100**

* Apart from Nestlé S.A, Switzerland, with 527,080,970 ordinary shares (representing 66.50%) and Stanbic IBTC Nominees Limited with 6.28%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2020.

** We hereby confirm that the free float of the Company is in compliance with The Nigerian Stock Exchange's free float requirements of the Main Board on which Nestlé Nigeria Plc is listed.

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 N797,709,898 (2019: N42,905,415) and analysed as follows:

	2020
	N'000
Nestlé community water projects and scholarship scheme	22,418
COVID-19 relief donations	735,300
Nestlé for healthier kids	13,456
Others	26,536
	797,710

COVID-19 Pandemic and Impact on our Operations

From the announcement of the COVID-19 Index case in Nigeria in the first quarter of 2020, the Company engaged with internal and relevant external stakeholders to ensure the safety of our people while keeping our business running to meet the needs of consumers across the country.

We worked alongside the Manufacturers Association of Nigeria (MAN), Nigeria Employers' Consultative Association (NECA), Association of Food, Beverage and Tobacco Employees (AFBTE), Nigeria Centre for Disease Control (NCDC) and other stakeholders to set up guidelines and necessary precautionary safety measures across all sites while maintaining regular communication channels.

We engaged with the Governors' Forum, the Ministry of Trade and Investment as well as the OPS to ensure that our operations continued uninterrupted during the period of the lockdowns. All manufacturers in the food and beverage sector were classified as essential services and excluded from the lockdown restrictions.

Notwithstanding the exemption, our Company encountered challenges with the availability of key raw and packaging materials including sugar. The prices of some materials increased exponentially while access to foreign exchange for the importation of key items became more restricted. Heightened insecurity compelled some of our distributors to shut down. The closure or partial closure of key markets and the lack of patronage at the make-shift markets opened by some state governments also put pressure on the business during the period.

The good news is that thanks to the resilience of our team, we managed to keep our factories open and operational despite the challenges. We also kept our people safe and motivated by working together to put in place and adhere to the recommended COVID-19 preventive measures.

COVID-19 Response – Nestlé Nigeria Plc Contributes Over N700 Million

In view of the challenges that the country and our communities are facing, Nestlé Nigeria Plc joined forces with the federal and state governments to help the response efforts and those in need through both financial contributions and donation of food and beverages.

To this end, we have contributed over N700 million comprising donation of food and beverages worth N450 million, and N250 million in cash.

The breakdown is as follows:

1. Donation of food and beverages worth N106 million to support the food bank in Lagos State.

2. Food and beverages worth N102 million to Ogun State including direct contributions to the Agbara and Remo land Communities.

3. Food and beverages worth N32 million each to Ekiti, Kaduna, Kano, Rivers, Enugu and Ondo States..

4. Food and beverages worth N5.3 million to the Abaji community within FCT.

5. Food and beverages worth N50 million directly to the Presidential Task Force to support the personnel and volunteers on the frontlines of the fight against COVID-19.

6. N250 million for the procurement of medical supplies and personal protective equipment (PPE) required for the fight against COVID-19 through the Nigerian Private Sector Coalition against COVID-19 (CACOVID).

7. Distribution of N95 masks and beverages to frontline medical personnel worth over N30 million.

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 period. In addition to the above mentioned donations, the Company continued with its strong focus on creating shared values initiatives. Nestlé Nigeria invested in technical and employability skills building for youth and in building the capacity of farmers to increase their productivity and income. The Company also worked alongside partners to improve the household nutrition of local farmers through trainings in grain quality improvement and food transformation/preservation techniques.

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.

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. The Company has submitted application to NOTAP for renewal of the General Licence Agreement for a period of three years.

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 (2019: 17) physically challenged persons in its employment as at 31 December 2020.

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 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 an ultra modern clinic at Agbara factory. The 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 Nestlé Technical Training Center (NTTC) in Agbara and Abaji factories. 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 NTTC in our Agbara factory has spurred us on to replicate and adapt the NTTC model in our Nestlé Waters factory in Abaji.

The content of the course was 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 seventh 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. The sixth batch of twenty students in Agbara factory completed the 18-months program in February 2021 and recorded outstanding results despite the impact of COVID-19. The best graduating trainee had 22 distinctions from City and Guild examinations from level 3 to 5. Another good news is that all the trainees have been employed by the Company as part of its commitment to youth development and economic empowerment.

17. Nomination, Governance and Remuneration Committee

Composition of Board Committees

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 (up to 31 August 2020), Mr. Mauricio Alarcon (from 1 September 2020), Mr. Ricardo Chavez and Mr. Gbenga Oyebode.

18. Audit Committee

In accordance with the provision 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 30 June 2020.

Mr. Matthew Akinlade (Chairman)	Shareholders' Representative	
Alhaji Kazeem Owonikoko Bello	Shareholders' Representative	
Mr. Christopher Nwaguru	Shareholders' Representative	
Mr. Gbenga Oyebode	Directors' Representative	
Mr. Ricardo Chavez	Directors' Representative	
Ms. Juliet Ehimuan	Directors' Representative	Appointed on 24/02/2020

19. Board Audit and Risk Management Committee

The Committee is to assist the Board in its oversight of audit, 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. The members of the Committee are Mr. Oyebode, Mr. Chavez and Ms. 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 systems 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. 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 via 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 who are 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.

(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 2020, the staff strength of the Company was 2,239 (2019: 2,219). 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 16 (2019: 19) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland, Angola 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. Remuneration of Managers of the Company required to be disclosed by the Companies and Allied Matters Act 2020 (CAMA)

Section 238 of CAMA provides that the disclosure of the remuneration of the managers of a company should be an item under the ordinary business at an annual general meeting. Based on the definition of "manager" in the Companies Regulations 2021, we hereby disclose that the total remuneration of the twenty-one (21) management staff (including the current and past executive directors) of the Company for the year ended 31 December 2020 is N1.2 billion.

25. Compliance

The Company did not pay any fine during the year.

BY ORDER OF THE BOARD

Bode Ayeku,FCIS

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

Audit Committee Report

For the year ended 31 December 2020

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 404(7) of the Companies and Allied Maters Act, 2020, we have examined the Auditor's Report for the year ended 31 December 2020.

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 Ernst & Young (Chartered Accountants), Management and staff of the Company in performing our duties.

Dated this 25th day of February, 2021.
Lagos, Nigeria

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

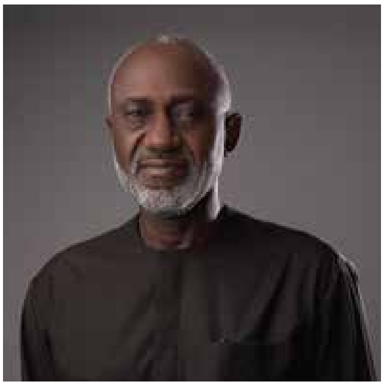
Members:
Mr. M. Akinlade (Chairman), Mr. C. Nwaguru, Mr. R. Chavez (Mexican), Mr. G.O. Oyebode, Alh K.O. Bello, Ms. J. Ehimuan

Audit Committee Report (Cont'd)
For the year ended 31 December 2020

Mr. Matthew Akinlade (Chairman)

Alhaji Kazeem Owonikoko Bello

Mr. Christopher Nwaguru



Mr. Gbenga Oyebode

Mr. Ricardo Chavez

Ms. Juliet Ehimuan

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

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 2020, 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 fraud 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 2020 were approved by directors on 25th February, 2021.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

David Ifezulike	Wassim Elhusseini	Jagdish Singla
(Chairman)	(Managing Director)	(Finance & Control Director)
FRC/2013/NIM/00000003355	FRC/2020/003/00000022041	FRC/2018/ICAN/00000018560

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Independent Auditor's Report
To the Members of Nestlé Nigeria Plc
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nestlé Nigeria Plc ('the Company'), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year the ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Nestle Nigeria Plc as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 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 Auditor's Responsibilities for the Audit of the financial statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Company. We believe that the audit evidence we have obtained Is sufficient and appropriate to provide a basis for our opinion.

Key Audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, Including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, Including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report
To the Members of Nestlé Nigeria Plc
Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters	How the matter was addressed in the audit
Other long-term employee benefits	
As at 31 December 2020, the Company calculated and recorded other long-term employment benefits of N4.47 billion for its employees. The benefits is made available to qualified employees of the Company based on graduated periods of uninterrupted service. The benefits is unfunded. Management engaged an independent actuary to assist them in the computation of the other long-term employee benefits. We considered the other long-term benefits to be a key audit matter due to the assumptions used in the estimate and judgement in calculation of the other long term employee benefits. The estimation Involves assumptions, particularly with regards to the determination of the discount rates, future salary Increases, Inflation rates, mortality rates and future pension increases. Changes in a number of these key assumptions used to value the Company's other long term benefits could have a material impact on the estimation of the liability. On Note 25 of the financial statements, management has disclosed the estimates on other long-term employee benefits.	Our audit procedures on the other long-term employee benefits include among others: - We assessed the competence, independence and objectivity of the actuarial specialists engaged by the Company - We involved our specialists to assist in performing the following procedures among others: • Tested the appropriateness of assumptions used in the valuation of the other long-term employee benefits. including salary increases and mortality rate assumptions, reference to market and entity specific data, both individually and in combination with other assumptions. • Assess the assumption for salary Increases against the Company's historical trend and expected future outlook • Evaluate the key assumptions used in the discount rate and inflation rate assumptions used, which in our view, have significant impact on the scheme valuation and require significant level of management judgement. - We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking the financial bases and demographic assumptions and other data.

Other Information

The Directors are responsible for the other Information. The other information comprises the information included in the document titled "Nestle Nigeria Plc Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' report, Statement of Directors' Responsibilities, Audit Committee Report and Other National Disclosures (Value Added Statement and Five-Year Financial Summary). The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other Information and we do not express an audit opinion or 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.

If, based on the work we have performed, 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.

Independent Auditor's Report
To the Members of Nestlé Nigeria Plc
Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 these financial statements.

As part of an audit in accordance with ISAS, we exercise professional judgement 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an 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 related 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 auditor's 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.

Independent Auditor's Report
To the Members of Nestlé Nigeria Plc
Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements- Continued

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

We communicate with 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.

Report on Other Legal and Regulatory Requirements

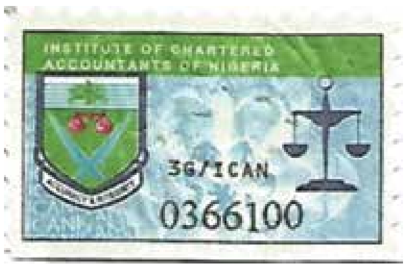
In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- 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;
- In our opinion, proper books of account have been kept by the Company in so far as appears from our examination of those books;
- The Company's statement of financial position and statement of profit or loss and other comprehensive Income are in agreement with the books of account.

Omolola Alebiosu

FRC/2012/ICAN/00000000145
For: Ernst & Young
Lagos, Nigeria

26 February 2021



Statement of Profit or loss and other Comprehensive Income

In thousands of naira	Note	2020	2019
Revenue	9	287,084,087	284,035,255
Cost of sales	11(b)	(167,872,616)	(155,888,473)
Gross Profit		**119,211,471**	**128,146,782**
Marketing and distribution expenses	11(b)	(43,843,396)	(46,076,786)
Administrative expenses	11(b)	(10,949,492)	(10,007,950)
Results from operating activities		**64,418,583**	**72,062,046**
Finance income		646,546	1,328,872
Finance costs		(4,426,686)	(2,267,094)
Net finance cost	**10**	**(3,780,140)**	**(938,222)**
Profit before income tax	**11**	**60,638,443**	**71,123,824**
Income tax expense	13(a)	(21,426,418)	(25,440,711)
Profit for the year		**39,212,025**	**45,683,113**
Other comprehensive income			
Other comprehensive Income for the year, net of tax		-	-
Total comprehensive Income for the year, net of tax		**39,212,025**	**45,683,113**
Profit for the year is attributable to:			
Owners of the company		39,212,025	45,683,113
Total comprehensive income for the year is attributable to:			
Owners of the company		39,212,025	45,683,113
Earnings per share			
Basic earnings per share (Naira)	14 (a)	49.47	57.63
Diluted earnings per share (Naira)	14 (b)	49.47	57.63

The accompanying notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

In thousands of naira	Note	2020	2019
Assets			
Property, plant and equipment	15a	87,265,836	79,393,681
Right of Use Assets	15b	5,054,528	4,386,059
Long term receivables	16	2,363,177	2,557,090
Total non-current assets		**94,683,541**	**86,336,830**
Inventories	19	52,222,267	33,278,944
Right of return assets	20	52,263	58,763
Trade and other receivables	21	39,555,290	65,820,188
Prepayments	17	968,426	901,518
Cash and cash equivalents	22	58,703,209	6,978,071
Total current assets		**151,501,455**	**107,037,484**
Total assets		**246,184,996**	**193,374,314**
Equity			
Issued 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)	113,811	123,076
Retained earnings		28,754,583	45,005,964
Total Equity		**29,296,984**	**45,557,630**
Liabilities			
Loans and borrowings	24	33,834,202	5,516,384
Employee benefits	25	4,471,021	4,307,927
Lease liabilities	30	568,084	-
Deferred tax liabilities	18	11,984,354	12,456,944
Total non- current liabilities		**50,857,661**	**22,281,255**
Trade and other payables	28	116,512,689	78,400,058
Contract liabilities	29	8,647,246	5,974,399
Refund liabilities	20	90,805	107,082
Bank Overdraft	22	2,551	2,736,058
Current tax liabilities	13(b)	30,476,315	31,801,369
Lease liabilities	30	231,270	-
Loans and borrowings	24	6,377,484	4,958,904
Provisions	27	3,691,991	1,557,560
Total current liabilities		**166,030,351**	**125,535,430**
Total liabilities		**216,888,012**	**147,816,685**
Total equity and liabilities		**246,184,996**	**193,374,314**

The board approved the financial statements on 25th February 2021

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

Wassim Elhusseini
Managing Director
FRC/2020/003/00000022041

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

The accompanying notes to the financial statements 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	Issued Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
As at 1 January 2020		396,328	32,262	123,076	45,005,964	45,557,630
Profit for the year						
Profit for the year		-	-	-	39,212,025	39,212,025
Other comprehensive income for the year; net of taxation		-	-	-	-	-
Total comprehensive income for the year; net of taxation		-	-	-	**39,212,025**	**39,212,025**
Transactions with owners, recorded directly in equity						
Dividend to equity holders	23 (b)(i)	-	-	-	(55,485,937)	(55,485,937)
Unclaimed dividend written back	23 (b)(ii)	-	-	-	22,531	22,531
Share based payment contribution	23(a) (iv)	-	-	259,813	-	259,813
Share based payment recharge	23(a) (iv)	-	-	(269,078)	-	(269,078)
Balance as at 31 December 2020		**396,328**	**32,262**	**113,811**	**28,754,583**	**29,296,984**
Balance as at 1 January 2019		**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 for the year; net of taxation		-	-	-	-	-
Total comprehensive income for the year; net of taxation		-	-	-	**45,683,113**	**45,683,113**
Transactions with owners, recorded directly in equity						
Dividend to equity holders	23 (b)(i)	-	-	-	(50,333,672)	(50,333,672)
Unclaimed dividend written back	23 (b)(ii)	-	-	-	19,415	19,415
Share based payment contribution	23(a)(iv)	-	-	97,100	-	97,100
Share based payment recharge	23(a)(iv)	-	-	(128,812)	-	(128,812)
Balance as at 31 December 2019		**396,328**	**32,262**	**123,076**	**45,005,964**	**45,557,630**

The accompanying notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows

In thousands of naira	Note	2020	2019
Cash flows from operating activities			
Profit for the year after tax		39,212,025	45,683,113
Adjustments to reconcile profit after tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment and right of use asset	15(a) and (b)	7,751,335	7,450,643
Interest income	10	(646,546)	(1,328,872)
Finance cost	10	2,698,404	2,229,738
Equity settled share based payment transactions	23a(iv)	259,813	97,100
Provisions for other long term employee benefits	25	590,940	2,000,074
Loss on disposal of property, plant and equipment		73,207	218,735
Income tax expense	13(a)	21,426,418	25,440,711
		71,365,596	81,791,242
Decrease/(Increase) in long term receivables		193,914	(319,985)
Increase in inventories		(18,943,323)	(10,154,924)
Decrease in right of return assets		6,500	293,232
Decrease/(Increase) in trade and other receivables		26,264,897	(23,645,126)
Decrease in contract asset		-	93,179
Increase in prepayments		(66,908)	(101,926)
Increase in trade and other payables (excluding dividend payable in Note 23b(ii))		37,274,147	16,704,652
Increase in contract liabilities		2,672,847	2,115,606
Increase in lease liabilities		231,270	-
Decrease in refund liabilities		(16,277)	(508,129)
Increase in provisions		2,134,431	348,641
Cash generated from operating activities		**121,117,094**	**66,616,462**
Income tax paid	13 (b)	(23,224,064)	(16,186,651)
Other long term employee benefit paid	25	(427,846)	(392,820)
Share based payment recharge paid	23a(iv)	(269,078)	(128,812)
Net cash in flow from operating activities		97,196,104	49,908,179
Cash flow from investing activities			
Finance income	10	646,546	1,328,872
Proceeds from sale of property, plant and equipment		136,930	105,685
Acquisition of property, plant and equipment and right of use assets	15(a) and (b)	(16,502,093)	(13,763,370)
Net cash used in investing activities		**(15,718,617)**	**(12,328,813)**
Cash flow from financing activities			
Proceeds from loans obtained -- Intercompany loan	24 (b)(i)(ii)	33,834,202	-
-- Bank loan	24(b)(iii)	6,377,484	10,053,790
Repayments of borrowings -- Intercompany loan	24 c	(5,578,994)	(75,353)
-- Bank loan	24 c	(4,896,294)	(6,451,105)
Finance cost paid		(2,698,404)	(2,229,738)
Dividends paid	23(b)	(54,056,837)	(49,003,305)
Net cash used in financing activities		**(27,018,843)**	**(47,705,711)**
Net increase/(decrease) in cash and cash equivalents		54,458,645	(10,126,345)
Cash and cash equivalent at January 1		4,242,013	14,368,358
Cash and cash equivalent at December 31	22	**58,700,658**	**4,242,013**

The accompanying notes to the financial statements form an integral part of these financial statements.

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Notes to the Financial Statements

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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 February 25, 2021.

(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.

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.

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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.

i) 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 profit or loss.

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.

b) Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or;
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) 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.

Cash & Cash Equivalents

The Company considers three categories as Cash and Cash Equivalents. Cash and Bank balances which comprises of cash at bank and in hand including cash in transit, commercial papers and time deposits whose contractual maturities (or maturities at inception) are of three months or less. Short term investments which includes commercial paper and time deposits whose contractual maturities (or maturities at inception) are comprised between four and twelve months after the closing date, trading portfolios, investments at amortized costs, other short term investments and margin accounts deposited. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

Financial assets are assigned to the following categories that determine their recognition and measurement principles:

- Financial assets at amortised cost,
- Financial assets at fair value through Other Comprehensive Income (FVTOCI),
- Financial assets at fair value through Profit and Loss (FVTPL).

The appropriate category is identified by reference to the specific features of the instrument and to the business model through which the entity expects to generate cash flows (see below).

Classification and measurement of financial assets through the three categories mentioned above require to consider:

- Whether the financial asset is a debt instrument or an equity instrument,
- When the asset is a debt instrument, how the cash flows are generated by the instrument (i.e. whether the instrument gives rise to cash flows that are Solely Payments of Principal and Interests, ‘SPPI’) and what is the objective of their possession (i.e. what is the related Business Model).

Financial assets are treated as ‘SPPI’ when their contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest on the principal amount outstanding.

The interest shall be consistent with the terms of basic lending arrangements, and therefore, should reflect mainly the time value of money and the credit risk associated to the counterparty.

The classification of a financial asset requires also consideration of the objective of the business model and defining whether the objective is:

- To collect contractual cash flow only (i.e. interests and repayment of the principal) generated by the asset, or
- To collect contractual cash flows and sell it.

The definition of the business model is done at a portfolio level in accordance with the Company’s Treasury Management Standard (and specific provisions related to insurance entities), not instrument by instrument.

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. The Company's financial assets at amortised cost include trade receivables, intercompany receivables, staff loans and other receivables.

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:

The financial instrument has a low risk of default,

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

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 a 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.

vi) Impairment of Financial assets (including trade 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.

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

This is the category most relevant to the Company. 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.

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.

d) Property, plant and equipment

I. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment 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.

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

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

e) Intangible assets

I. 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.

f) Leases

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 measures 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 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 leased 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 IAS37. 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 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 components; 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 was not part of any lease agreement as a lessor in 2020.

g) 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 or loss account as consumed.

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

h) Impairment of Non-financial assets

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

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

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i) 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 or 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 or 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 or 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 or 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.

j) 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.

k) 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.

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

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

l) 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.

m) 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.

n) Advance payment to contractors

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

o) 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.

p) Taxes

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.

q) 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.

r) 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.

s) 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.

t) 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

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.

u) 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. 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

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.

Amendments 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 of 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 References 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.

The amendments, where they are actually updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

4.1 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 2021 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 financial statements.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19 -Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID – 19 – related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID–19 – related rent concession the same way it would account for the change applying IFRS16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID–19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

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 draft *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.The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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 assessed 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 2020 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.

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.

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5.2.6 Lease Liability

The lease liability value appears under the heading obligations under leases (allocated between medium/long term or short term depending on the maturities). At commencement of the lease, this value is the present value of the total of the lease payments as described in the contract (including payments connected to the reasonably certain exercise of extension or termination options), discounted at the interest rate implicit in the lease contract (if readily determinable) or the lessee's incremental borrowing rate. Lease payments that depend upon a rate or index are measured at commencement based on the rate or index in effect at that time, and are remeasured if or when the payments linked to the index or rates change. Variable lease payments that do not depend upon an index or rate (e.g. a percentage of sales or based on usage) are not included in the initial measurement of the right of use asset.

The lease liability determined at initial measurement should not exceed the fair value of the underlying asset. An excess of the lease liability value over the fair value of the underlying asset is an indicator that the discount rate being used is too low and must be reassessed.

The difference between the future value (undiscounted) of the total of lease payments and the lease liability represents the financial cost which is to be spread over the period of the lease in form of an annuity calculation. When recording the annuities paid, the "principal" part reduces the obligation under lease while the "interest" part is charged to the income statement under interest expense.

6. Operating segments

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

FOOD

Description

This includes the production and sale of Maggi, Cerelac, SMA, Nan, Lactogen and Golden Morn.

Segment

Beverages

Description

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

In thousands of naira	Food		Beverage		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
External Revenues	171,731,112	176,087,166	115,352,975	107,948,089			287,084,087	284,035,255
Interest income	-	-	-		646,546	1,328,872	646,546	1,328,872
Interest expense	-	-	-	-	(4,426,686)	(2,267,094)	(4,426,686)	(2,267,094)
Depreciation	(4,762,705)	(4,611,873)	(2,988,630)	(2,838,770)	-	-	(7,751,335)	(7,450,643)
Reportable segment profit before income tax	39,581,141	47,035,839	24,837,442	25,026,207	(3,780,140)	(938,222)	60,638,443	71,123,824

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. This is also applicable to cash flows.

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

Revenues

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

Profit or loss	2020	2019
In thousands of naira		
Total profit or loss for reportable segments	64,418,583	72,062,046
Other corporate expenses and income	(3,780,140)	(938,222)
Profit before income tax	60,638,443	71,123,824

Other material items 2020

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

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8. Geographical information

In thousands of naira	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Nigeria	282,676,793	94,683,541	279,052,086	86,336,830
Niger	-	-	-	-
Togo	-	-	-	-
Ghana	1,899,578	-	1,989,479	-
Burkina Faso	2,056,877	-	2,942,872	-
Guinea	-	-	-	-
Other countries	450,839	-	50,818	-
Total revenue from contracts with customers	287,084,087	94,683,541	284,035,255	86,336,830

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.

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	2020	2019
Nigeria	282,676,793	279,052,086
Export	4,407,294	4,983,169
Total Revenue	287,084,087	284,035,255

9.1 Disaggregated revenue information

	For the year ended 31 December 2020		
	Food	Beverage	Total
Goods transferred at a point in time	171,731,112	115,352,975	287,084,087
Total revenue	171,731,112	115,352,975	287,084,087

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	2020	2019
Trade receivables (Note 21)	8,102,921	17,003,175
Contract liabilities (Note 29)	8,647,246	5,974,399

Trade receivables are non-interest bearing and are generally on terms of 14 to 45 days. In 2020, N1,322,822 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	2020	2019
Interest income	646,546	1,328,872
Net foreign exchange gain	-	-
Finance income	646,546	1,328,872
Interest expense on financial liabilities	(2,698,404)	(2,229,738)
Net foreign exchange loss	(1,728,282)	(37,356)
Finance expense	(4,426,686)	(2,267,096)
Net finance cost	(3,780,140)	(938,222)

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N1.2 billion (2019: N570 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	2020	2019
Depreciation	15(a)and(b)	7,751,335	7,450,643
Auditor's remuneration		35,000	38,000
Directors' remuneration	12 (c)	355,901	328,702
Personnel expenses	12 (a)	26,575,687	25,937,349
Loss on property, plant and equipment disposed		73,207	218,735
Net foreign exchange loss	10	1,728,282	37,356
General licence fees	33(b)	11,165,330	10,737,120

b) Expenses by nature

In thousands of naira	Note	2020	2019
Depreciation of property, plant and equipment and right of use asset	15(a)and(b)	7,751,335	7,450,643
Auditor's remuneration		35,000	38,000
Loss on property, plant and equipment disposed		73,207	218,735
Personnel expenses	12(a)	26,575,687	25,937,349
General licence fees	33(b)	11,165,330	10,737,120
Raw materials and consumables		124,779,955	110,714,113
Distribution expense		12,156,881	11,308,109
Advertising		3,245,475	4,954,981
Sales Promotion		10,123,124	15,454,353
Factory overheads		17,593,683	15,864,309
Other expenses		9,165,827	9,295,498
Total		222,665,504	211,973,210

Other expenses include product research and marketing expenses, product related overheads and trade asset related expenses.

Summarised as follows:

In thousands of naira	2020	2019
Cost of Sales	167,872,616	155,888,473
Marketing and distribution expenses	43,843,396	46,076,786
Administrative expenses	10,949,492	10,007,950
	222,665,504	211,973,210

12. Personnel expenses

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

In thousands of naira	Note	2020	2019
Salaries, wages and allowances		12,721,119	12,536,952
Directors' remuneration		355,901	328,702
Contributions to compulsory pension fund scheme		1,502,304	1,271,089
Contributions to defined contribution gratuity scheme		1,315,368	1,179,217
Employee short term bonus		1,892,727	1,294,473
Training, recruitment and canteen expenses		1,788,658	1,218,147
Medical expenses		878,041	617,602
Equity-settled share-based payment transactions	23(iv)	259,813	97,100
Other personnel expenses		5,861,756	7,394,067
	11	26,575,687	25,937,349

Other personnel expenses include employee insurance, employee housing subsidies and transport subsidies.

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:

			2020	2019
N		N	Number	Number
1,400,001	-	1,600,000	-	-
1,600,001	-	1,800,000	-	24
1,800,001	-	2,000,000	-	1
2,000,001	-	2,500,000	17	27
2,500,001	-	3,000,000	29	30
3,000,001	-	3,500,000	106	219
3,500,001	-	4,000,000	240	109
4,000,001	-	4,500,000	96	215
4,500,001	-	5,000,000	192	373
5,000,001	-	7,000,000	916	670
7,000,001	and	above	643	551
			2,239	2 ,219

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The number of full-time persons employed per function as at 31 December was as follows:

	2020	2019
	Number	Number
Production	1,711	1,686
Supply chain	63	61
Sales and marketing	331	355
Administration	134	117
	2,239	2,219

c) Directors remuneration
Remuneration paid to directors of the Company was as follows:

In thousands of naira	2020	2019
Directors' Emoluments:		
Non Executive directors	33,100	29,204
Executive directors	322,801	299,498
	355,901	328,702

The directors' remuneration shown above includes:

In thousands of naira	2020	2019
Chairman	13,500	13,500
Highest paid director	161,350	218,081

Other directors received emoluments in the following ranges:

N	N	2020	2019
		Number	Number
-	1,000,000	2	2
1,000,001	25,000,000	3	3
25,000,001	35,000,000	-	-
Above 35,000,000		2	2
		7	7

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	2020	2019
Current tax expense		
Current year income tax	20,653,427	22,709,572
Current year tertiary education tax	1,582,807	1,736,514
Reversal of over-provision of prior year tax	(337,224)	(88,053)
	21,899,010	24,358,033
Deferred tax expense		
Origination and reversal of temporary differences	(472,592)	1,082,678
Total income tax expense	**21,426,418**	**25,440,711**

(b) Current tax liabilities

In thousands of naira	2020	2019
Movement in current tax liabilities account during the year was as follows:		
At 1 January	31,801,369	23,629,987
Charge for the year	21,899,010	24,358,033
Payments in the year	(23,224,064)	(16,186,651)
At 31 December	30,476,315	31,801,369

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(c) Reconciliation of effective tax rate

In thousands of naira	2020	2020	2019	2019
Profit for the year		39,212,025		45,683,113
Total income tax expense		21,426,418		25,440,711
Profit excluding income tax		60,638,443		71,123,824
Income tax using the Company's domestic tax rate	30.00%	18,191,533	30.00%	21,337,147
Non-deductible expenses*	3.67%	2,227,954	3.37%	2,394,821
Tax exempt income	(0.09%)	(54,438)	(0.48%)	(338,740)
Tax incentives	(0.24%)	(146,121)	(0.33%)	(235,593)
Recognition of previously unrecognised tax items	0.21%	129,354	1.46%	1,037,010
Other income related taxes	2.61%	1,582,807	2.44%	1,736,514
Prior year over provision of CIT	(0.56%)	(337,224)	(0.12%)	(88,053)
Other tax differences	(0.28%)	(167,447)	(0.57%)	(402,394)
	35.3%	21,426,418	35.8%	25,440,711

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 N39,212,025 (2019: N45,683,113) and declared dividend of N55.486million (2019: N50.334million) respectively and on 792,656,252 (2019: 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

	Note	2020	2019
Earnings from continuing operations for the purpose of basic earnings per share		N '000 39,212,025	N '000 45,683,113
Earnings from continuing operations for the purpose of diluted earnings per share		N '000 39,212,025	N '000 45,683,113
Weighted average number of ordinary shares as at 31 December	23	Number ('000) 792,656	Number ('000) 792,656
Basic (Naira)		49.47	57.63
Diluted (Naira)		49.47	57.63

(b) Diluted earnings per share of N49.47 (2019: N57.63) is based on the profit attributable to ordinary shareholders of N39,212,025 (2019: N45,683,114), and on the 792,656,252 (2019: 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 2020 Nil (2019: Nil) potential ordinary shares.

15 Property, plant and equipment (PPE)

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

In thousands of naira	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
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
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
Balance at 1 January 2020	33,284,621	72,259,099	4,201,067	12,529,141	1,785,904	12,102,035	136,161,868
Additions	241,366	741,176	895,194	372,504	156,804	12,990,061	15,397,105
Disposals	(42,198)	(671,766)	(575,847)	(1,380,785)	(124,691)	-	(2,795,288)
Reclassification	539,231	3,879,923	15,194	902,804	92,807	(5,429,959)	-
Balance at 31 December 2020	34,023,020	76,208,432	4,535,608	12,423,664	1,910,824	19,662,137	148,763,685

Accumulated depreciation and impairment losses

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
Balance at 1 January 2019	8,332,409	32,304,308	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
Balance at 1 January 2020	9,183,109	35,511,983	2,121,902	8,656,846	1,294,348	-	56,768,187
Depreciation	864,638	4,200,351	733,486	1,216,962	299,378	-	7,314,817
Impairment	-		-	-	-	-	-
Disposals	(33,833)	(486,466)	(573,887)	(1,366,432)	(124,537)	-	(2,585,155)
Balance at 31 December 2020	10,013,914	39,225,868	2,281,501	8,507,377	1,469,189	-	61,497,849
Carrying amounts							
At 31 December 2020	24,009,106	36,982,563	2,254,107	3,916,287	441,635	19,662,137	87,265,836
At 31 December 2019	24,101,513	36,747,116	2,079,165	3,872,295	491,556	12,102,035	79,393,681

As at 31 December 2020, none of these assets have been used as loan collateral or are encumbered.

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(b) Right of Use Assets

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

In thousands of naira Cost	Note	Land N'000	Building N'000	Total N'000
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
As at 1st January 2020		4,102,547	570,230	4,672,777
Additions		-	1,104,988	1,104,988
Disposals		-	(331,743)	(331,743)
Balance as at 31st December 2020		4,102,547	1,343,475	5,446,022

Accumulated depreciation and impairment lossses

As at 1 January 2019	-	-	-
Depreciation	104,701	182,017	286,718
Disposals	-	-	-
Balance as at 31st December 2019	104,701	182,017	286,718
As at 1 January 2020	104,701	182,017	286,718
Depreciation	70,138	366,381	436,519
Disposals	-	(331,743)	(331,743)
Balance as at 31st December 2020	174,839	216,655	391,494
Carrying amounts			
As at 31 December 2020	3,927,708	1,126,820	5,054,528
As at 31 December 2019	3,997,846	388,213	4,386,059

(c) Capital commitments

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

In thousands of naira	2020	2019
Approved and contracted	13,812,307	10,454,559
Approved but not contracted	3,395,633	4,299,401
	17,207,940	14,753,960

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:

In thousands of naira	2020	2019
Long term Staff receivable	2,187,272	2,293,175
Amount receivable from Customers on account of trade assets deployed	175,905	263,915
	2,363,177	2,557,090

17. Prepayments

Prepayment comprises: In thousands of naira	2020	2019
Rent prepaid	129,140	52,433
Insurance prepaid	721,916	645,564
Other prepayment	117,370	203,521
	968,426	901,518

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

In thousands of naira	2020	2019
Current Asset	968,426	901,518
Non-current Asset	-	-
	968,426	901,518

Other prepayment represents payments made for goods and services which will be consumed within the next financial year.

18. Deferred tax liabilities

Recognised deferred tax (assets)/liabilities

Deferred tax liabilities are attributable to the following:

In thousands of naira	Assets		Liabilities		Net	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Property, plant and equipment	-	-	15,221,063	14,362,211	15,221,063	14,362,210
Employee benefits	(1,430,727)	(1,378,537)	-	-	(1,430,727)	(1,378,537)
Unrealised exchange loss	(1,769,562)	(223,437)	-	-	(1,769,562)	(223,437)
Share based payment	(36,420)	(39,384)	-	-	(36,420)	(39,384)
Total trade spend allowance diff.	-	(263,906)			-	(263,906)
Tax (asset)/liabilities	(3,236,709)	(1,905,264)	15,221,063	14,362,211	11,984,354	12,456,944
Net tax liabilities	**(3,236,709)**	**(1,905,264)**	**15,221,063**	**14,362,211**	**11,984,354**	**12,456,944**

Movement in temporary differences during the year

In thousands of naira

	Balance 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2019	Effect of adoption of new accounting standards	Balance 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2020
Property, plant and equipment	12,760,600	1,601,610	-	14,362,210		14,362,210	858,852	-	15,221,063
Employee benefits	(864,215)	(514,321)	-	(1,378,537)		(1,378,537)	(52,190)	-	(1,430,727)
Unrealised exchange loss	(472,585)	249,148	-	(223,437)		(223,437)	(1,546,125)	-	(1,769,562)
Share based payment	(49,532)	10,148	-	(39,384)		(39,384)	2,965	-	(36,420)
Total trade spend allowance diff.		(263,906)		(263,906)		(263,906)	263,906		-
	11,374,268	1,082,678	-	12,456,944		12,456,944	(472,592)	-	11,984,354

At 31 December 2020 (2019: Nil), there was no unrecognised deferred tax asset or liability.

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19. Inventories

In thousands of naira	2020	2019
Raw and packaging materials	20,620,626	7,243,196
Product in process	1,391,048	1,016,895
Finished products	12,271,131	9,023,827
Engineering spares	5,271,462	4,677,194
Goods in transit	12,668,000	11,317,832
	52,222,267	33,278,944

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 N124.780 billion (2019: N110.714 billion). In 2020, the write-down of inventories to net realisable value amounted to N2.714 billion (2019: N2.652 billion) and the movement is included in cost of sales.

20. Right of return assets and refund liabilities

In thousands of naira	31 December 2020	31 December 2019
Right to returned goods asset	52,263	58,763
Refund liabilities		
Arising from rights of return	90,805	107,082

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	2020	2019
Trade receivables	21(a)	13,604,796	21,214,923
Loans to key management personnel		17,317	32,662
Staff loans		2,716,772	2,833,807
Trade receivables due from related parties	33(e)(ii)	2,749,239	3,525,020
Deposit with Company registrars for dividend	23(b)ii	2,724,553	2,690,660
Allowance for expected credit losses	31(ii)	(5,501,875)	(4,211,748)
		16,310,802	26,085,324
Advance payment to suppliers		4,395,672	22,239,480
Deposit for Import		19,229,976	18,882,050
Other receivables		1,982,017	1,170,424
		41,918,467	68,377,278
Non-current - reclassified to long term receivables	16	2,363,177	2,557,090
Current		39,555,290	65,820,188
		41,918,467	68,377,278

Included in other receivables are input taxes and infrastructural support to customers .

21(a). Trade receivables

In thousands of naira		2020	2019
Receivables from third-party customers		13,604,796	21,214,923
Allowance for expected credit losses	31(ii)	(5,501,875)	(4,211,748)
		8,102,921	17,003,175

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 33.

Other receivables are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

22. Cash and cash equivalents

In thousands of naira	2020	2019
Cash and bank balances	16,794,758	2,676,520
Short term investment	41,908,451	4,301,551
Cash and cash equivalents in the statement of financial position	58,703,209	6,978,071
Bank overdrafts used for cash management purposes	(2,551)	(2,736,058)
Cash and cash equivalents in the statement of cash flows	58,700,658	4,242,013

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(a)(ii).

23. Capital, reserves and dividends

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares	2020	2019
At 31 December	792,656,252	792,656,252

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

In number of shares	2020	2019
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

The premium on the 792,656,252 ordinary shares of 50 kobo each is as follows:

In thousands of Naira	2020	2019
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 2018	4,028	3 years' service
Shares awarded to key management on 1 March 2019	3,771	3 years' service
Shares awarded to key management on 1 March 2020	3,373	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 2020 is N120,513,563 (2019:N83,854,817)

Total share based payment expense recognised in the profit or loss for the year amounted to N259,813,327 (2019: N97,099,878).

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	2020	2019
At 1 January	123,076	154,788
Share based payment contribution	259,813	97,100
Share based payment recharge	(269,078)	(128,812)
At 31 December	113,811	123,076

(b) Dividends

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

	2020		2019	
	Per Share (N)	N'000	Per Share (N)	N'000
Final dividend	45.00	35,669,531	38.50	30,517,266
Interim dividend	25.00	19,816,406	25.00	19,816,406
	70.00	55,485,937	63.50	50,333,672

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.

(ii) Movement in dividend payable

In thousands of naira	Note	2020	2019
At 1 January		6,885,325	5,574,373
Declared dividend		55,485,937	50,333,672
Unclaimed dividend transferred to retained earnings		(22,531)	(19,415)
Payments		(54,056,838)	(49,003,305)
At 31 December	28	8,291,893	6,885,325

As at 31 December 2020, N2.724 billion (2019: N2.691 billion) of the total dividend payable is held with the Company's registrar, Greenwich Registrars and Data Solutions Limited. The balance of N5.567 billion represents unclaimed dividend (2019: N4.194 billion) which was returned to the Company by the Registrar and has been invested in treasury bills.

Included in dividend payments is N29.721 billion dividend payable to Nestlé S.A. This has been accounted for in inter group payables due to related party (Note 33ei) .

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	2020	2019
Unsecured bank loans	6,377,484	4,896,294
Loans from related party	33,834,202	5,578,994
	40,211,686	10,475,288

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

In thousands of Naira	2020	2019
Current liabilities	6,377,484	4,958,904
Non-current liabilities	33,834,202	5,516,384
	40,211,686	10,475,288

Terms and debt repayment schedule

(b) Terms and conditions of outstanding loans were as follows:

In thousands of Naira	Note	Currency	2020 Nominal interest rate	2020 Year of maturity	2020 Face Value	2020 Carrying amount	2019 Nominal interest rate	2019 Year of maturity	2019 Face Value	2019 Carrying amount
Loan from related party	(i)	USD	LIBOR + 11.34%	2027	31,057,596	31,057,596	LIBOR + 7.83%	2024	5,578,994	5,578,994
Loan from related party	(ii)	USD	LIBOR + 7.47%	2027	2,776,606	2,776,606	-		-	-
Import trade obligations	(iii)	NGN	LIBOR + 6%	2021	6,377,484	6,377,484	-		-	-
Unsecured bank loan	(iv)	NGN	11.25%	2020	-	-	11.25%	2020	4,500,000	4,500,000
Unsecured bank loan	(v)	NGN	10%	2020	-	-	10%	2020	396,294	396,294
Total Interest bearing liabilities					40,211,686	40,211,686			10,475,288	10,475,288

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

i

A loan of

US$ 100 million

was approved for the Company by Nestlé S.A. in April 2020 of which

US$72.5 million

was drawn down as at 31 December, 2020. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from April 2020. The facility which is unsecured attracts interest at 3 months USD Libor plus a margin of 1134 basis points. There is no fixed payment period agreed in the loan contract. Payment is to be made subject to availability of Fx.

ii

An additional

US$ 100 million

was approved for the Company by Nestlé S.A. in September 2020 of which US$ 7.0 million was drawn down as at 31 December, 2020. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from September 2020. The facility which is unsecured attracts interest at 3 months USD Libor plus a margin of 747 basis points. There is no fixed payment period agreed in the loan contract. Payment is to be made subject to availability of Fx.

(iii) Import trade obligations for Letters of Credit raised under the Import Finance Facilities from our banks in 2020 stood at NGN 6.4 billion as at 31 December 2020. The obligations have a tenor between 90 days and 120 days at Libor+ 6.00% interest rate.

(iv) The balance of NGN 4.5 billion working capital loan facility from Stanbic IBTC bank was fully repaid in 2020.

(v) The loan balance under the Bank of Industry (BOI) Scheme was fully repaid in 2020.

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

In thousands of Naira	2020	2019
At 1 January	10,475,288	6,947,952
Addition	36,279,557	10,000,000
Repayment -- Intercompany loan	(5,578,994)	(75,353)
Repayment -- Bank loan	(4,896,294)	(6,451,105)
Accrued Interest	1,219,327	62,610
Exchange (gain) loss	2,712,802	(8,816)
At 31 December	**40,211,686**	**10,475,288**

Analysed as follows

Current	6,377,484	4,958,904
Non-Current	33,834,202	5,516,384
Total	**40,211,686**	**10,475,288**

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	2020	2019
Balance at 1 January	4,307,927	2,700,673
Expense for the year	590,940	2,000,074
Payments during the year	(427,846)	(392,820)
Balance at 31 December	4,471,021	4,307,927

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

	2020	2019
Long term average Discount rate (p.a.)	7%	11%
Average Pay Increase (p.a.)	12%	12%
Benefit awards inflation (p.a)	7%	7%

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	
	2020	2019
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	
	2020	2019
Less than or equal to 30	3.7%	1.0%
31-34	2.7%	2.0%
35 – 39	4.0%	4.0%
40 – 54	4.9%	7.0%
55 – 59	10.9%	2.0%

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 2020	Employee benefit obligation	
Effect in thousands of Naira	Increase	Decrease
Benefit awards inflation (1% movement)	32,572	(29,680)
Discount Rate (1% movement)	(277,974)	312,721
Future salary growth (1% movement)	257,325	(283,866)
Mortality Experience (1 year movement)	(12,544)	13,961

The table below indicates the maturity profile for defined benefit obligations:

In thousands of Naira	2020
Within the next 12 months (next annual reporting period)	210,804
Between 2 and 5 years	1,752,262
Beyond 5 years	2,343,632
Total expected payments	4,306,698

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	2020	2019
Balance at 1 January	31,840	11,790
Charged for the year	2,704,570	2,417,403
Payments during the year	(2,736,410)	(2,397,353)
Balance at 31 December	-	31,840

Pension Payable is included in other payables and accruals in Note 28

27. Provisions

Provisions represent management's estimate of the Company's probable exposure to tax and other liabilities at the end of the year.

In thousands of Naira	2020	2019
Balance at 1 January	1,557,560	1,208,920
Provisions made during the year	2,193,932	414,384
Provisions used during the year	(59,501)	(65,744)
Balance at 31 December	3,691,991	1,557,560

28. Trade and other payables

In thousands of naira	Note	2020	2019
Trade payables		32,026,503	47,210,454
Other payables and accruals		14,921,545	18,532,514
Trade payables due to related parties	33(e)(i)	61,272,748	5,771,765
Dividend payable	23(b)(ii)	8,291,893	6,885,325
		116,512,689	78,400,058

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31. Included in other payables and accruals are advance to CAPEX suppliers, output taxes and other short term payables.

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	2020	2019
Customer's down payment	3,765,177	1,522,255
Trade incentives	4,882,069	4,452,144
	8,647,246	5,974,399

30. Lease Liabilities (Obligation under leases)

The company recognised lease liabilities in line with IFRS 16 as analysed below. No liability amount was disclosed separately in 2019 due to the level of materiality.

In thousands of naira	2020	2019
As at 1 January	80,998	-
Additions	665,100	80,998
Accretion of interest	53,256	-
Payments	-	-
As at 31 December	799,354	80,998

In thousands of naira	2020	2019
Current	231,270	-
Non-current	568,084	80,998
	799,354	80,998

31. 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.

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(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 bi-annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis. The Company's payment and delivery terms and conditions offered to customers provide various credit limits based on individual customers.

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 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 authorization 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, Commercial manager, Finance and Control Director and Managing Director.

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 Nestlé 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	2020	2019
Trade and other receivables	21	16,310,802	26,085,324
Cash and cash equivalents	22	58,703,209	6,978,071
		75,014,011	33,063,395

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	2020	2019
Distributors	21	8,102,921	17,003,175
Related parties	21	2,749,239	3,525,020
Loans to key management personnel	21	17,317	32,662
Staff loans and advances	21	2,716,772	2,833,807
Registrar	21	2,724,553	2,690,660
		16,310,802	26,085,324

The Company's most significant customer accounts for N591.5million (2019: N920.5 million) of the trade and other receivables carrying amount at 31 December 2020 .

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 31(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 2020 using a provision matrix:

31 December 2020

	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	0.6%	0.5%	38.7%	90.3%	100.0%	100.0%	
Estimated total gross carrying amount at default	5,869,951	2,223,317	29,239	363,450	213,099	4,905,740	13,604,796
Expected credit loss	(32,872)	(10,502)	(11,321)	(328,341)	(213,099)	(4,905,740)	(5,501,875)
	5,837,079	2,212,815	17,918	35,109	-	-	8,102,921

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

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020	2019
In thousands of Naira		
Balance as at 1 January	4,211,748	3,705,991
Provision for expected credit losses	1,322,822	544,657
Write-off	(32,695)	(38,900)
Changes in credit risk parameters	-	-
Balance at 31 December	5,501,875	4,211,748

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The impairment loss as at 31 December 2020 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 2020

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured bank loans	6,377,484	6,377,484	(6,377,484)				-
Unsecured intercompany loans	33,834,202	33,834,202	-	-	(1,219,327)	-	(32,614,875)
Trade and other payables	116,512,689	116,512,689	(116,512,689)	-	-	-	-
	156,724,375	156,724,375	(122,890,173)		(1,219,327)		(32,614,875)

31 December 2019

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured 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)	

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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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 2019, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Carrying amount	
Effect in thousands of Naira	Equity	Profit or loss
31 December 2020		
Euro (10 percent strengthening)	(1,923,112)	(1,923,112)
USD (10 percent strengthening)	(4,490,152)	(4,490,152)
31 December 2019		
Euro (10 percent strengthening)	(1,023,278)	(1,023,278)
USD (10 percent strengthening)	(1,048,332)	(1,048,332)

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	
	2020	2019
In thousands of Naira		
Fixed rate instruments		
Financial assets	41,908,451	4,301,551
Financial liabilities		4,896,294
	41,908,451	9,197,845
Variable rate instruments		
Financial assets	-	-
Financial liabilities	40,211,686	5,578,994
	40,211,686	5,578,994

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 2020				
Variable rate instruments	(402,117)	402,117	(402,117)	402,117
Cash flow sensitivity (net)	(402,117)	402,117	(402,117)	402,117
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

(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	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long term receivables	2,363,177	2,363,177	2,557,090	2,557,090
Loans and receivables	13,947,625	13,947,625	23,528,234	23,528,234
Cash and cash equivalents	58,703,209	58,703,209	6,978,071	6,978,071
	75,014,011	75,014,011	33,063,395	33,063,395

Loans and receivables include trade receivables, allowances for expected credit loss, loans to staff and deposit for dividends with the Company registrars

In thousands of naira	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Unsecured intercompany loan	33,834,202	33,834,202	5,578,994	5,578,994
Secured bank loans	6,377,484	6,377,484	4,896,294	4,896,294
Bank overdraft	2,551	2,551	2,736,058	2,736,058
Trade and other payables	116,512,689	116,512,689	78,400,058	78,400,058
	156,726,926	156,726,926	91,611,404	91,611,404

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	2020	2019
Total liabilities	216,888,012	147,816,685
Cash and cash equivalents	(58,703,209)	(6,978,071)
Net Debt	158,184,803	140,838,614
Total Equity	29,296,984	45,557,630
Debt to capital ratio at December 31	5.40	3.09

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 the 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 loss of N1.7 billion (2019: N6.5 milion). They are allocated to the appropriate headings of expenses by function.

Financial instruments analysed by currency is as follows:

USD
United States Dollar

SGD
Singaporean Dollar

Euro
Euro

XOF
Ivorian CFA

GBP
Pounds Sterling

CHF
Swiss Franc

ZAR
South African Rand

AED
United Arab Emirates Dirham

31 December 2020												
Amounts in thousands	NGN	Euro	USD	CHF	XOF	ZAR	SGD	GBP	GHS	XAF	AED	JPY
Unsecured intercompany loans			(82,472)									
Amount due from related parties	197,701	2,973	2,552	13								
Amount due to related parties	(23,828,518)	(32,664)	(23,305)	(2,331)	(7,444)		(342)	(0)			(78)	
Trade payables	(25,327,661)	(8,495)	(6,224)	(1,176)		(285)		(113)				
Net exposure	(48,958,478)	(38,186)	(109,449)	(3,494)	(7,444)	(285)	(342)	(113)				

31 December 2019											
Amounts in thousands	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	-	(9,573)	(3,778)

The significant exchange rates applied during the year is as follows:

	Average rate		Year end spot rate	
	2020	2019	2020	2019
Euro	433.68	404.93	503.62	406.69
United states dollar (USD)	379.80	361.49	410.25	362.92

32 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 N358 million as at 31 December 2020 (2019: N289 million).

While the contingent assets in respect of pending litigations amounted to N113 million for the year ended 2020 (2019:N782 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 N12.2 billion (2019: N163.4 million). The Company also obtained bank guarantees with a value of N89.4 million (2019: N559.8 million).

33 Related parties

(a) Parent and ultimate controlling party

As at the year ended 31 December 2020, Nestlé Switzerland (Nestlé S.A.), the ultimate holding Company owned 66.50% (2019: 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 N11.165 billion (2019: N10.737 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.

(c) Transactions with key management personnel
Loan to key management personnel

New loan of N15.9 million was issued to key management personnel during the year ended 31 December 2020 (2019: N29.0 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 2020, the balance outstanding was N17.3 million (2019: N32.7 million) and is included in trade and other receivables. (See note 21)

(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	2020	2019
Short-term employee benefits	196,165	189,796
Contribution to compulsory pension fund scheme	10,714	9,860
Defined contribution gratuity scheme	12,522	11,413
Other long term benefit	-	-
Share based payments	269,078	128,812
	488,479	339,881

(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. 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;

(i) Intercompany payables

Related Party		Transaction value Year ended 31 December		Balance outstanding as at 31 December	
In thousands of naira	Nature of transaction	2020	2019	2020	2019
Nestlé Ghana Limited	Finished goods	624,891	1,528,315	84,054	-
Nestlé World Trade Corporation Limited	PPE/ Services	19,738,206	23,717,712	8,872,914	18,309
Nestlé Netherlands	Finished goods	213,737	2,604,904	219,602	861,728
Nestlé France Limited	Finished goods	91,017	114,764	733,125	516,852
Societe Des Produits Nestlé S.A	Services	9,341,639	9,200,611	3,172,868	2,966,832
Nestlé Central and West Africa	Services	6,264,881	6,484,353	7,985,228	1,214,744
Wyeth Nutritional Singapore	Finished goods	2,712,650	944,136	408,715	-
Nestlé S.A.	Services	30,281,111	128,812	30,281,111	-
Nestlé Mexico, S.A. De C.V.	Goods	5,684,992	3,203,994	3,680,477	102,000
Others		7,643,084	6,387,913	5,834,654	91,300
		82,596,208	54,315,514	61,272,748	5,771,765

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	2020	2019	2020	2019
Nestlé Burkina	Finished goods and Services	2,067,913	3,477,805	1,476,283	1,823,672
Nestlé Central And West Africa Limited	Finished goods and Services	807,706	456,008	232,791	106,188
Nestlé Ghana	Finished goods and Services	1,950,100	2,053,595	727,082	459,614
Nestlé Cote D'Ivoire	Finished goods and Services	53,786	43,054	60,758	16,924
Nestlé Angola Lda	Finished goods and Services	74,726	3,940	58,802	-
Nestlé Senegal	Finished goods and Services	83,110	3,630	61,120	9,243
Nestlé Cameroun	Finished goods and Services	53,814	10,583	40,025	25,052
Nestlé Middle East	Services	5,803	-	5,803	-
CP Nigeria	Services	-	116,831	-	756,520
Others	Finished goods and Services	147,323	330,823	86,575	327,807
		5,244,281	6,496,269	2,749,239	3,525,020

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 both employees and former 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, 2014.

The Company supports the sourcing of resources to Nestlé Nigeria Trust (CPFA) Limited and intends to continue to provide support into the future.

34 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 forseeable future

35 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 2020 that has not been adequately provided for or disclosed in the financial statements.

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Other National Disclosures

31 December 2020

Value Added Statement

Nestlé
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In thousands of naira	2020	%	2019	%
Revenue	287,084,087		284,035,255	
Brought in materials and services				
- Local	(89,331,379)		(80,363,348)	
- Imported	(100,735,384)		(98,221,869)	
	97,017,324		105,450,038	
Finance Income	646,546		1,328,872	
Value Added	**97,663,870**	**100**	**106,778,910**	100
Distribution of Value Added:				
To Employees:				
- Employees as wages and salaries and end of service benefits	26,575,687	27	25,937,349	24
To Providers of Finance:				
- Finance Costs	2,698,404	3	2,267,094	2
- Company tax	21,899,010	22	24,358,033	23
Retained in the business:				
- Depreciation of PPE and ROU assets	7,751,335	8	7,450,643	7
- Deferred tax	(472,592)	-	1,082,678	1
- Profit transferred to reserves	39,212,025	40	45,683,113	43
	97,663,870	**100**	**106,778,910**	**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.

Five-Year Financial Summary

Nestlé
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In thousands of naira	2020	2019	2018	2017	2016
Funds Employed					
Issued 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	113,811	123,076	154,788	147,236	126,480
Retained Earnings	28,754,583	45,005,964	49,637,108	44,302,351	30,323,005
Shareholder's Fund	**29,296,984**	**45,557,630**	**50,220,486**	**44,878,177**	**30,878,075**
Current Liabilities	166,030,351	125,535,430	92,117,501	79,680,495	121,033,434
Non-current Liabilities	50,857,661	22,281,255	19,996,435	22,245,456	17,674,423
	246,184,996	**193,374,314**	**162,334,422**	**146,804,128**	**169,585,932**
Asset Employed					
Non Current assets	94,683,541	86,336,830	79,600,105	74,299,175	71,849,777
Current assets	151,501,455	107,037,484	82,734,317	72,504,953	97,736,155
	246,184,996	**193,374,314**	**162,334,422**	**146,804,128**	**169,585,932**
In thousands of naira	**2020**	**2019**	**2018**	**2017**	**2016**
Revenue	287,084,087	284,035,255	266,274,621	244,151,411	181,910,977
Profit before income tax	60,638,443	71,123,824	59,750,846	46,828,682	21,548,408
Profit for the year	39,212,025	45,683,113	43,008,026	33,723,730	7,924,968
Other comprehensive income, net of tax		-	-	-	-
Declared dividend*	55,485,937	50,333,672	37,651,172	19,816,406	15,060,469
Per 50k share data:					
Basic earnings per share	49.47	57.63	54.26	42.55	10.00
Diluted earnings per share	49.47	57.63	54.26	42.55	10.00
Declared dividend per share	70.00	63.50	47.50	25.00	19.00
Net assets per share	36.96	57.47	63.36	56.62	38.96

* 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.

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Additional Corporate Information

31 December 2020

Shareholders' Information

Ten Year Dividend History

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Year	Dividend No.	Profit After Taxation (N'000)	Dividend Declared (Gross) (N'000)	Dividend Per Share (kobo)	Dividend Type
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
	64	33,723,730	11,889,843	1500	Interim
2017	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	Final
2020	70	39,212,025	19,816,406	2500	Interim
	71		28,139,296	3550	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)
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
2020	287,084,087	60,638,443	21,426,418	39,212,025

Shareholders' Information (cont'd)

Share Capital History

Nestlé
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The share capital of the Company is as indicated below.
The issued and paid up capital of the Company as at 31 December 2020 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'
48	April 29, 2009	116,253,724.50
49	December 7, 2009	22,549,322.88
50	April 28, 2010	141,767,300.16
51	January 10, 2011	58,306,915.18
52	April 29, 2011	264,483,516.06
53	December 12, 2011	32,389,582.05
54	April 27, 2012	239,737,995.29
55	December 24, 2012	38,167,283.70
56	May 10, 2013	418,853,327.40
57	December 9, 2013	33,233,359.50
58	May 13, 2014	563,402,162.98
59	December 8, 2014	192,263,346.00
60	May 12, 2015	388,017,437.50
61	December 7, 2015	226,339,960.00
62	May 24, 2016	429,910,074.40
63	May 24, 2017	226,637,031.00
64	December 11, 2017	331,955,250.00
65	May 22, 2018	711,201,543.25
66	December 10, 2018	509,925,022.00
67	May 28, 2019	978,326,710.90
68	December 9, 2019	645,233,335.00
69	July 2, 2020	1,171,218,424.50
70	December 7, 2020	646,786,472.50

Since becoming a public company in 1978, Nestlé Nigeria has declared seventy 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

Nestlé
Good food, Good life

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
Plot C.D.E. Industrial Crescent, Ilupeju,
Lagos. Tel: 01-7923489, 08052797041

Kaduna
NIIT Building, 5D Kanta Road, Kaduna.
Tel: 08052797075.

Port Harcourt
Riz Plaza, No 19 Stadium Road
Port Hacourt, Rivers State.
Tel. 08052797034

Enugu
No. 40, Okpara Avenue, Opposite
First Bank, Main Branch, Enugu
Tel. 08052797144

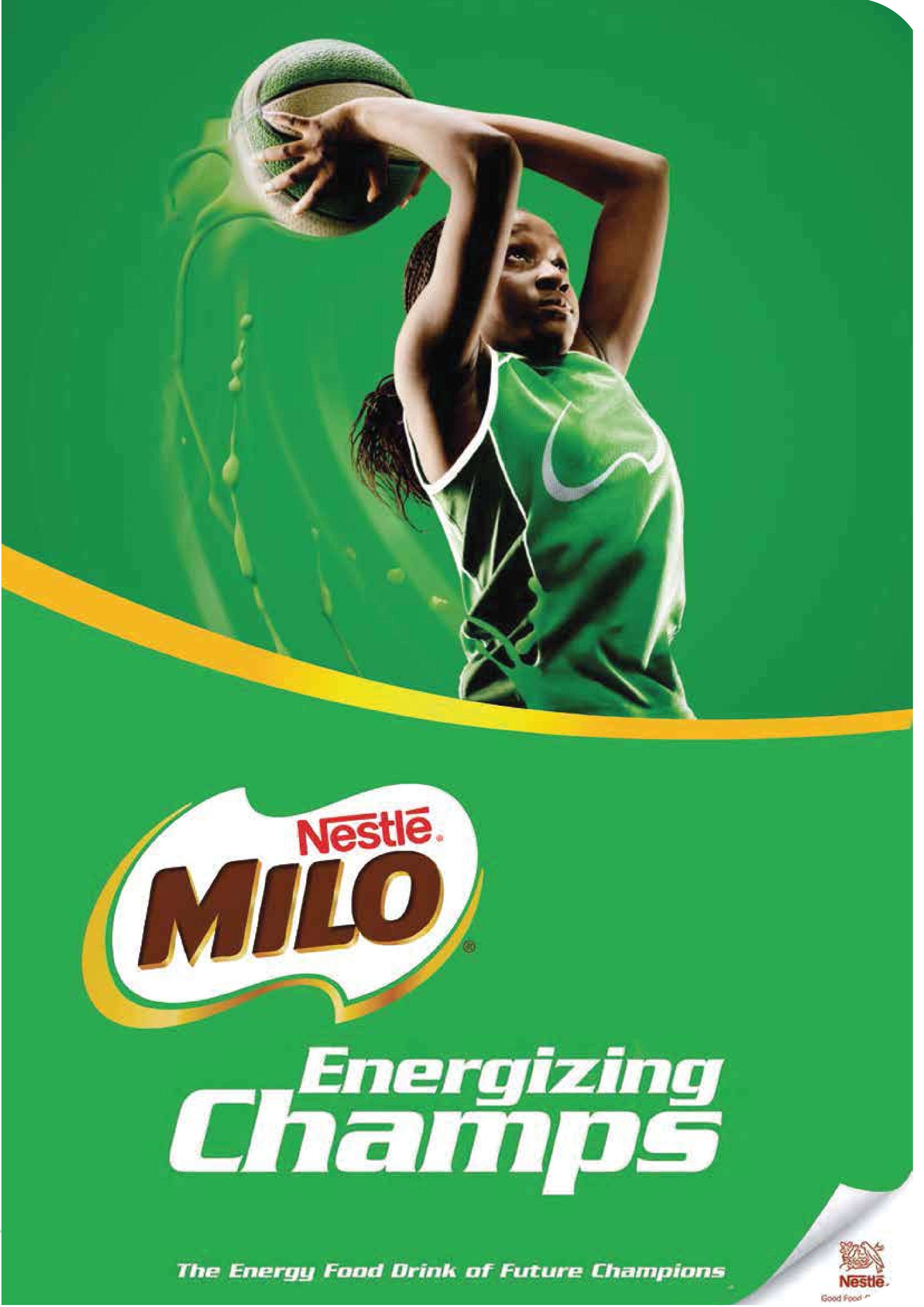
Lagos Extension
Flowergate Factory, Along Abeokuta –
Sagamu Expressway, by RIYE
Roundabout, Ogun State
Tel: 08052797143

Jos
NICON Building, 1st floor 4, State
Secretarial Road, Jos.
Tel: 08052797093.

Abuja
Plot 1479, Oro Agu Crescent,
Union Homes Mega Mall,
Garki, Abuja.
Tel: 08052797092.

Nestlé Good food, Good life

Our Leading Brands


Nestlé
MILO
Energizing
Champs
The Energy Food Drink of Future Champions
Nestlé

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 the with energy when they need. MILO provides the inspiration inspiration that children need for everyday victories on the road to lifelong success.

Using its various sports platforms, MILO has been teaching Nigerian school children critical life values such as Fearlessness, Perseverance, Confidence, Unique and Boldness. This is in the firm belief that all these values will help them succeed in life and attain their dreams. MILO has thus, over the years provided the right opportunities for children through the MILO Sports Development Program (MSDP) and the MILO Basketball Championship (MBC).

MILO Secondary School Basketball Championship started in 1999 when Nestlé 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. MILO Secondary School Basketball Championship trains over 150,000 students in sports clinics during the Championships annually.

Other partners include the Ministries of Education, the Ministry of Youth and Sports Development across all States of the Federation.

Over the years, MILO Basketball Championship has produced professional basketball players who currently play in the Nigeria local league and with the national teams at international championships. A significant number of players from the MBC players from the Championship are playing in the European leagues, in Asia as well as in the American NBA, and the Women's National Basketball Association (WNBA).

MILO Sports Development Programme (MSDP), on the other hand is a platform for educating primary school children on the foundational skills for selected sports, thereby encouraging participants to learn and participate in sports as a vehicle for the overall physical, social and mental development of the child. The programme reaches over one million school children across the country annually.

MILO at a glance

10,000

schools participated annually on strategic partnerships

150,000

students in sports clinics annually during the Championship.

MAGGI
STAR SEASONING
With MAGGI®, Cook The Difference

Maggi at a glance

MAGGI, for over 55 years in Nigeria continues to reinforce its commitment to creating good food moments. The brand's global "reiMAGGIne" journey has defined a set of values and commitments that impact the way we support individuals and families to make healthier and tastier food choices. We call these our "Simply good commitments"

Our simply good philosophy; "Maggi is committed to inspiring and helping you cook good for your family with fresh ingredients every day".

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 launch of Naija Pot, Signature Jollof, Signature Miya and most recently, with the launch of Maggi Signature Chicken powder.

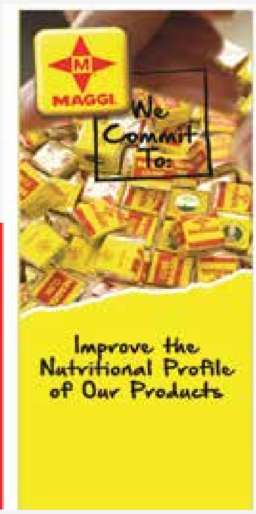
Maggi Signature range is a unique blend of natural ingredients including dry bay leaf, onions, tomato, chili pepper, thyme, and other flavorings commonly used in the kitchen.

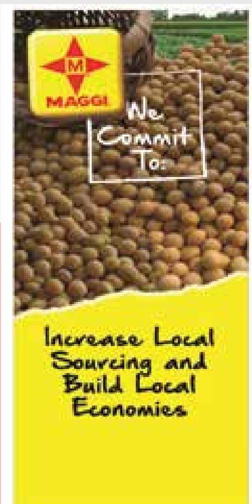
Signature seasoning powder helps simplify cooking, save time, money, and it's easy to use and dose.

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.

Over
55 years
in Nigeria, **MAGGI** continues to reinforce its commitment to creating good food moments. The brand's global "reiMAGGIne" journey 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"

No 1
partner/ally to our consumers and enable them to make a difference through their everyday cooking and everyday life.





Nestlé Pure Life is a global premium bottled water brand produced by Nestlé Waters Nigeria.

The brand is guided by its purpose which is "Championing Pure Water for Healthier Generations". This purpose is rooted in the belief that "water is the essence of life and should be valued, not taken for granted". In line with this, Nestlé Pure Life is committed to responsible water stewardship and providing quality safe drinking water to support healthy hydration, making it easier for families to improve their health.

Nestlé Pure Life is sourced from carefully protected underground wells using very strict 13 quality production steps to guarantee the safety and quality of the product. Nestlé Pure Life is enriched with minerals to provide consumers with additional health benefit and the distinctive refreshing taste.

Nestlé Pure Life is one of the leading premium bottled water brands in Nigeria, sold in key cities across the country . It comes in two variants:

1. Nestlé Pure Life Regular which contains minerals like Calcium and Magnesium

2. Nestlé Pure Life Protect fortified with Zinc Micronutrient to support body immunity.

In line with its focus on caring for the environment, Nestlé Pure Life is produced using very light weighted PET bottles for easy recycling. The brand engages in recycling initiatives through its plastic collection program with Wecyclers and collaboration with other stakeholders.

PURE LIFE® BEGINS NOW


Start
Strong
Finish
Strong
NESCAFÉ
ORIGINAL
3in1
HEAD BAKER
NESCAFÉ
It all starts with a
NESCAFÉ

NESCAFÉ, since 1938, has been providing Consumers with the best tasting Coffee Experience all around the World. It is the Worlds favourite Coffee Brand and Nigeria is no different.

In Nigeria, we have led the growth of the Coffee Culture. Focusing on delighting Nigerians with the best Coffee experiences, through bespoke innovation and sustainable business practices. We have an unwavering Commitment to making the exciting world of Coffee available and accessible to the People of Nigeria, because we believe everyone in Nigeria and indeed the world, deserves a great Cup of Coffee.

At NESCAFÉ, we know that Quality makes a world of difference to our Consumers. That is why we put a lot of care into every step of the Process, from bean to Cup, this along with our high standards, helps to deliver that unique NESCAFÉ aroma and taste, down to the last Sip.

A simple cup of Coffee can Comfort people and Inspire them. Whether it's a kick start to their day or an afternoon treat. No matter when, no matter with who, NESCAFÉ uplifts any moment. It renews your spirit and leaves you feeling better.

With close to 500 Million great tasting Cups of NESCAFÉ delivered to Nigerians in 2020, NESCAFÉ continues to lead and drive the growth of the Coffee Category in Nigeria.

There are so many reasons to love NESCAFÉ:

- Our Coffee provides the best tasting experiences to spark everyone's interest
- It is 100% natural
- NESCAFÉ Uplifts every moment, it renews your spirit and leaves you feeling better

NESCAFÉ comes in different varieties and pack sizes to meet the different needs and tastes of our discerning consumers; NESCAFÉ Classic and NESCAFÉ 3-in-1 Mixes.

Start strong, Finish Strong ..... It all Starts With a Nescafé

Nescafé at a glance

NUMBER ONE
Instant Coffee Brand in Nigeria

Close to
500 MILLION
cups consumed in 2020

It all starts with a NESCAFÉ

Nutritious Family Cereal

Nestlé GOLDEN MORN an iconic Nigerian brand Make Every Day Amazing!!!

Nestlé GOLDEN MORN is a nutritious and great tasting cereal that can be enjoyed by every member of the family. It is made from homegrown Nigerian Maize and Soya Protein fortified with vitamins and minerals to provide the energy needed at the start of the day. The brand was introduced in 1986 and has evolved over time to become an iconic brand, nourishing Nigerian families for over 35 years.

In 2020, Nestlé GOLDEN MORN evolved by introducing several credentials to the value proposition:

Brand identity credentials: A new and fresh brand identity conveying a more modern look and feel while introducing the natural ingredients that make up GOLDEN MORN.

Nutrional credentials: With the Grain Smart fortification, GOLDEN MORN is more than an icon! It's special blend of vitamins and iron support the normal release of energy into the body and optimal mental performance making GOLDEN MORN a smart choice for breakfast.

Visibility credentials: All the Multi Serve formats moved from Pillow Pack to Stand Up Pouch for better merchandising. This provided significant visibility improvement at the point of purchase. The improved visibility was amplified by the point of purchase branding investment and a new TV commercial.

Affordability credentials: with the introduction of a new and affordable format of GOLDEN MORN Maize at 50 Naira price point, GOLDEN MORN offers nutrition to our Bottom of Pyramid consumer.

With all these incremental credentials, the brand has kept the key elements that are part of its core proposition to keep making positive impacts in the lives of our consumers, our communities and the local economy. These key elements are;

The unique Signature taste of GOLDEN MORN delivered through our specific technology to delight all family members at breakfast.

The local sourcing to have a positive impact on communities. 100% of the grains used to produce GOLDEN MORN is sourced locally, contributing to Nestle's creating shared value ambition. As a result, we have been able to build a mutually beneficial relationship with the local farmers.

The local production to have an impact in the local economy. Nestlé GOLDEN MORN is manufactured at the Agbara industrial complex aligned to the highest international quality standards, thanks to the passion and professionalism of our efficient factory team.

Strong engagement with our redistribution partners working together to make our products available everywhere at all times. This effort supported by our logistic and sales teams gives us the competitive advantage to ensure availability pan Nigeria.

Golden Morn at a glance

Over
35 years
delivering great tasting nutrition to Nigerian families.

50 Naira
pack format introduced to provide affordable nutrition to consumers at the base of the community.

100%
of the grain and the packaging materials are sourced locally contributing to the livelihood of our communities.

500 million
bowls of fortified breakfast served in 2020.

25%
of the daily recommended intake of IRON per serving of Golden Morn with Milk.

List Of Distributors

A. D. Basharu And Sons Nigeria	Bethel – FBM Multicerv Int'l Limited	Fusaha Ventures
A. E. Chrismerchants Ltd	C I Obioha And Sons	G. N Chukwu Nig Ltd
A.A Dayi Nigeria Ltd	C N Honesty Enterprise	Gazillion Global Resources
Ablettdrive Impact Solution Limited	C. Ifeanyi Onyema & Sons	Gbolade Invest
Abstol Global Procurements Ltd	Casanthonio Nig. Ltd	Gifus Al"ways Ltd
Achida Saidu Usman And Sons	CEC Global Ventures	GPPO Enterprises
Ade Distribution And Investment	Center Stage Merchants Ltd	Grace Assets Limited
Adebukola And Sons Limited	Christ De King Health Services Ltd	Great Possiblizer Ltd
Adetimehin Integrated Investment	CVC Consult LTD	Hamir Investment Nigeria Ltd
Aishamin Commercial Enterprises	Darvon Resources	Hammer Smith
Ajoke Stores Limited	Daslad Heritage Company	Hassan Abdullahi and Sons
Akbro Ltd	Davnic Kings Limited	Hembmic Global Consult Ltd
Al-babello Trading Company	De Impress Mart	His Grace Ify Enterprises
Al-Wadud Ventures Limited	De Majok Global	Hope & life Nig Ltd
Alh Abubakar Zamau	Debby Mega Merchants Limited	Hussein Umar General Enterprises
Alh Ibrahim Usman Achida & Sons	Dei Fille Consult Limited	Ife Oluwa
Alh Sani Sale Kunini & Sons Venture	Deke Supermarket	IFJANE Nigeria Limited
Alh Usman Muazu	Dile Nigeria Limited	Ikal Global Ltd
Alh. Ali Balarabe	Divine Dopacy Limited	Iyanu Business Ventures Ltd
Alhaji Rufai Mohammad Nig. Enterp.	Dokkalhairu Inv Nig Ltd	Izeza Investment Company Ltd
Alhaji Amadu Hussaini & sons Multi	Dolat Multi Enterprises	J. J. Nnoli And Sons
Alhaji Garba Dankane Jega	E V Okpalaoka And Sons Nig Ltd	J. O. Adebiyi And Sons Nigeria
Alhaji Mohammad Monguno	E.H.Okika	J.O.Adegboyega
Alhaji Tukur Sabaru & Sons	Ebebiz Investments Nig Ltd	JABMAZE Nigeria Limited
Alhaji Salihu Dan Halima Nig.Co.Ltd	Ebi Ayoni Resource Concept	Joc Dona Investments Limited
Alhaji.M.Idris & Sons Ltd	EK Glory Limited	Joemich Global Ventures Enterprises
Ali Sa'adu Muhammed	El-dorado Multipurpose Int. Concept Ltd	Jufatima Investments Ltd
Allanka Nigeria Limited		Justsports Nig. Ltd
Amaechi Ike and Company (Nig.) Ltd	Elegant Fabrics Ventures	JV 901 Nigeria Limited
Amana Superstores	Elymay Nigeria Limited	Kaima Integrated Network Ventures
Anike Faseyintan Trading	Emmanuel Bakeries Limited	Keem David Limited
AV-TEC Limited	Eunima Global Resources	Kenuellark Resources
Ayomide Multi Ventures Nig. Ltd	FB Multi-Services Limited	Kofaj Nigeria Enterprises
Basrose Stores	Fortunes	Kwesifin Ventures
Beneks Pharmaceutical Ltd.	Fresh Business Ltd	Lajire Ventures

List Of Distributors (Cont'd)

Lasomis & Sons Co. Ltd	O.R.L Support Services Limited	Sinatzeez Nigeria Limited
Livoken Ventures Co. Ltd	Ochiagha Udo Ventures	SM23 Nigeria Limited
M. A. Onigbinde And Sons Limited	Oghaleoghene Global Ventures	Smabirm Nigeria Limited
Madaci Pharmaceutical Company Limited	Ok. Kanice Investment Company Ltd	So-Blue Limited
Madeleke Distributors Nigeria Limited	Olafik Global Interlinks Ltd	Solid Choice Nig. Ltd.
Mafaks Consultancy Services Ltd	Olakanbe Nig. Ltd	Taoflat Golden Shares Business Links
Makemx Nigeria Limited	Olaniyi Badmus Nig. Ltd	Tarhyel Investment Limited
Mazek Resources Ltd	Olayiwola Stores	TDI LIFE
MD Mart Nigeria LTD	Omofade Ventures	Tivo Corporate Services Intl Ltd
Mene Mene Inter. Ventures	Onyi Best Global Resources	Tobiloba Trading Company
Mertesacker Nig Ltd.	Orlak-Fem Nigeria Limited	Topdara Store
Mirarob Integrated Services	Otosi Nigeria Enterprises	Tradedepot Limited
MJIE Enterprises	Petsam Ore Ofe	Tripple P Dazzled Ventures
Mobik - Chris Nig. Enterprises	Precious Heritage Multiventures	Twins & Triplets Global Nig. Ltd
Modu Director And Sons Limited	PUO Assets Ltd	Umar Abubakar Muhammad General Enterprise
More Options Nigeria Ltd	Rashmuk Enterprises	
Moyin Oluwa Trading Store	Royal Diamond Invt Ltd	Umar Faruk
Muabsa Intergrated Services	RSL International Ltd. Lekki	Wet Sample Enterprises
Muhammad Munzali Zakari Enterprises	RSL Ventures Capital Limited	Yakubu Shopping Plaza Ltd
Muhammad Nafiu Brothers & Sisters	S.A Three (H) Ventures	#08VIC Enterprises
Muna and Zara Enterprises	S.C.Okonkwo Nigeria Limted	
Mut-Keem	Saadu Ali Mai Silifas Nigeria Ltd	
Mytom Ventures Services	Sambajo General Enterprises Ltd	
Nathan Ofoma & Sons Ltd	Seaton Integrated Services Ltd	
Needs and Wants Ventures	Seawam Nigeria Enterprises	
Nirvana Rocksolid Limited	Seddt Nigeria Limited	
Nondios Nigeria Enterprises	Sidi And Sons	
Nortex Business Link	Simak N. Trading Company	

Nestlé Good food, Good life

Year 2020 in Retrospect

31 December 2020

Year 2020 in Retrospect

Table of Contents

Nestlé Nigeria, Improving livelihoods

At Nestlé, we touch billions of lives worldwide; from the farmers we work with, to the individuals and families who enjoy our products, the communities where we live and work, and the natural environment upon which we all depend.

In 2020, the COVID-19 pandemic along with the attendant outcomes like lockdowns, school closure etc. impacted heavily on individuals and families, businesses and the economy. Despite these challenges, we made progress towards our commitment to improving livelihoods in the communities closest to our business operations.

Nestlé Nigeria's CSV impact programs in 2020 included the launch of Nestlé Community Scholarship scheme, provision of access to clean drinking water in our communities and nutrition education for children through Nestlé for Healthier Kids.

We also rolled out the Youth Agripreneurship Development Program (YADIS) project in collaboration with Alliance for a Green Revolution in Africa(AGRA) focused on attracting, training and supporting youths in Agripreneurship and progressed on our Farmer capacity building initiatives including the grain quality improvement program with TechnoServe and Nestlé Livestock Development program in collaboration with CBIL.

We also invested in building the technical skills of our youth through the Technical Training Program at our Agbara and Abaji sites. These CSV programs cumulatively reached over 160,000 individuals and families.

Nestlé Nigeria also supported the COVID-19 response efforts of the Federal Government, State Governments and our communities with over N700m covering cash and product donations.

"Unlocking the power of food to enhance quality of life for everyone today and for generations to come". Creating Shared Value (CSV)

Enable Nigerian families lead healthier, happier lives by continuously improving our products

Improving livelihoods in communities directly connected to our activities

Protect our planet for future generations by enhancing the environmental performance of our operations

Individuals and Families

NESTLÉ for HEALTHIER KIDS®

Nestlé
Good food, Good life

Mr. Olusegun Alade, Director, Social Mobilization Ogun SUBEB, Dr Jumoke Ilo, Member, NSN Ogun State, Mrs. Edidiong Peters, Public Affairs Specialist, Nestlé Nigeria PLC, Mrs. Ronke Soyombo, Special Assistant to the Ogun State Governor on Education, Mrs. Jokotade Agbatiogu, Representative of the Executive Secretary, Ogun SUBEB, Mr Omotunde Adamson, Member, Physical and Health Educators Associiation, Prof Adewale Obadina Member, NSN Ogun State, at the November 2020 N4HK Teachers Training in Abeokuta, Ogun State.

Cross section of high table at the School Nutrition Quiz competition

Enabling healthier living among children through N4HK

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.

In addition to the in-class trainings, other achievements of the program for 2020 include:

- Nutrition Quiz competition for the 20 schools in Ogun state
- Inclusion of N4HK in Ogun State Digital class - TV, Radio and YouTube
- Teachers training in Ogun State and FCT
- Cooking Demonstrations

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 at the Nutrition Quiz competition in Ogun State

20

schools in Ogun state attended the Nutrition Quiz competition

30

schools closest to Nestlé Nigeria's operations in Ogun State and the Federal Capital Territory.

Nestlé presentation on "Supporting Sustainable Food Systems"

Presentation of gifts to winners of the Nutri-Quiz

Nutritious Food Alliance

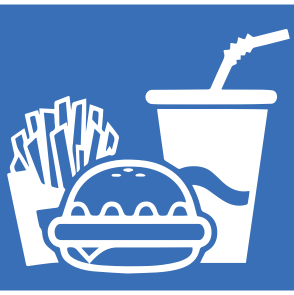
Nestlé Nigeria collaborated with Harvest Plus and other partners for the 6th edition of the Nutritious Food Fair, hosted by the Akwa Ibom State Government with the theme "Nutrition Cannot be Locked Down".

The Nutritious Food Alliance is a commercial platform for promoting the breeding, production, marketing and consumption of nutritious foods in Nigeria.

The event afforded an opportunity to share insights on the company's support for sustainable food systems with stakeholders. The company also sponsored the Nutri-Quiz , a platform to promote nutrition education among children in secondary institutions.

Stakeholders and Experts also showcased and shared updates on market innovations and topical issues emerging in the food sector.

Individuals and Families



6th

edition of the Nutritious Food Fair, hosted by the Akwa Ibom State Government with the theme "Nutrition Cannot be Locked Down" collaborated with Nestlé Nigeria Harvest Plus and other partners.

Launch of GOLDEN MORN fortified with GRAINSMART

- Nestlé Golden Morn is a product created in Nigeria by Nigerians, produced in Nigeria with 100 per cent locally sourced agricultural and packaging materials.
- The product is now fortified with GRAINSMART, a unique blend of vitamins and minerals including Vitamin A, Vitamin B1, Vitamin B5, Vitamin C and Iron.
- The launch of the fortified product demonstrates Nestlé's commitment to contributing meaningfully towards improving Nigeria's nutrition profile and to the growth of the national economy.

Launch of GOLDEN MORN fortified with GRAINSMART at the Agbara factory with the representative of the Honorable Minister for Agriculture, Head of Nutrition, Federal Ministry of Health, Ogun State Health and Trade & Industry Commissioners and the Alagbara of Agbara

Innovation - Brands

Launch of the MAGGI website and Yelo Pèppe Series

MAGGI launched a first-of-its-kind website across West and Central Africa in 2020.

The website aims to promote healthier diets and home cooking by celebrating African cuisine in an innovative way and offers fresh new twists to well-known African dishes.

The brand also served a second season of Yelo Pèppe, its popular online nutrition education drama series.

These launches are just a few of the innovative ways Maggi is meeting its consumers' digital and nutritional appetites, while also contributing to Nestlé's purpose of unlocking the power of food to enhance quality of life for everyone, today and for generations to come.

Stakeholders who attended the virtual event include representatives from the Federal Ministry of Trade & Investment, Federal Ministry of Agriculture, Ogun State Ministries of Health, Agriculture, Commerce and Industry

Promoting Nutrition Reporting in Nigeria

The 29th Diamond Awards for Media Excellence (DAME) held on the 12th of December 2020 in Lagos.

DAME awards honour journalists who have distinguished themselves in different areas of their career to represent the best interest of the country.

The Nutrition reporting category was instituted by Nestlé Nigeria in 2018 to reward, recognize and celebrate excellence among nutrition and health writers.

The award is part of Nestlé's commitment to empowering journalists to enable them provide adequate information to help individuals and families make healthier nutrition choices.

Chioma Obinna of the Vanguard Newspaper emerged as both winner and first runner up of the Nutrition Reporting category at the Awards. Her winning entry, 'Why 27 million Nigerian children are not doing well in school,' showcased the place of good nutrition in a child's development.

The second runner-up was Dayo Ojerinde of The Punch Newspaper with the entry 'When roadside fruit sellers become carriers of poison', a cautionary story of how roadside sale of fruits can be injurious to one's health.

Corporate Affairs Specialist Bola Audu with the winner, Chioma Obinna, Vanguard Newspaper and First Runner Up, Dayo Ojerinde of The Punch Newspaper

Nestlé Good food, Good life

Our Communities

School renovation

Commissioning of Library and Creche in Makun High School, Sagamu

Nestlé Nigeria restated its commitment to improving livelihoods by commissioning a school project in Makun Secondary School, Sagamu, Ogun State. The refurbished facilities include a fully equipped library, a crèche for nursing teachers and an office for the Librarian.

This school project also aims at creating a conducive environment for reading and learning and one for the comfort and peace of nursing teachers.

Community Scholarship Scheme

Launching of the Nestlé Community Scholarship Scheme

In line with our commitment to building communities closet to our operations, Nestlé has offered indigent youths from its host communities in senior secondary and tertiary institutions the opportunity to obtain quality education through the commencement of its Community Scholarship Scheme.

Forty-nine students drawn from communities around the company's Flowergate factory by Sagamu Interchange and Abaji factory are beneficiaries of the maiden community scholarship awards.

We believe that the scheme will go a long way towards building the next generation of science and technology professionals who will contribute to the industrial advancement of the country.

Technical Training Centers

Nestlé Technical Training Centers

Nestlé Nigeria continues to reiterate its commitment to youth empowerment under its global flagship program, 'Nestlé Needs Youth' which aims to help 10 million young people worldwide access economic opportunities by 2030.

Nestlé Technical Training Centers (TTC) at Agbara and Abaji are a key part of the company's efforts towards ensuring that Youth within its communities are future-ready.

With the aim to bridge the technical skills gap, participants receive vocational training in machining, mechanical fitting operations, electrical operations, instrumentation operations, and automation. The training follows an intensive 18-month theoretical and practical engineering syllabus, which culminates in the prestigious City and Guilds London technician certifications.

Twenty students (males and females), graduated from the Agbara training center in 2020. The Technical Training program in Nigeria is supported by NECA, ITF and the Swiss Embassy.

Nestlé Cares

Nestlé Cares Orphanage Outreach

For the second year running, Nestlé Nigeria volunteers donated food, beverages and personal hygiene products to children in 18 orphanages across Nigeria under its Global Employee Volunteer Programme, Nestlé Cares.

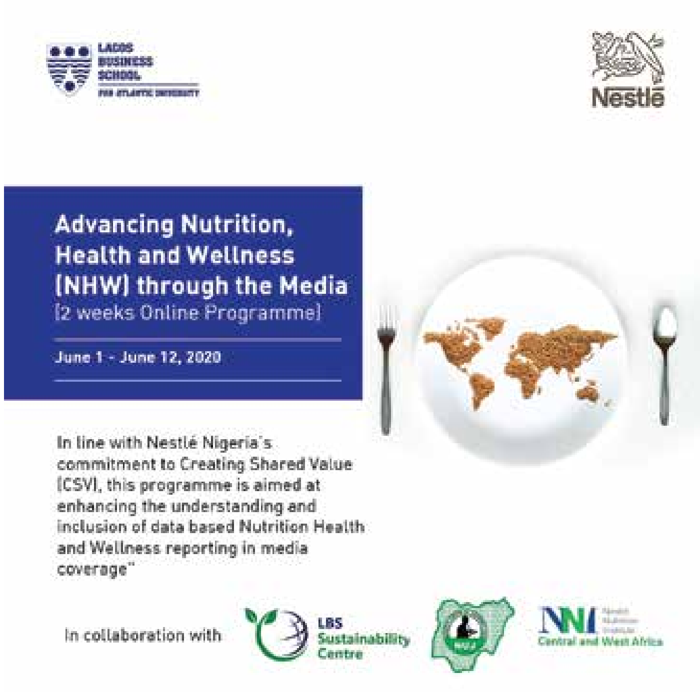
Nestlé Cares is aimed at enhancing volunteer activities and providing an opportunity for Nestlé employees to give back to society by offering their time, talent and resources.

Relief materials donated by staff and matched by the company reached over 700 children in 18 orphanages across Nigeria. The donations which were made during the COVID-19 lockdown was in recognition of the fact that the most important concern for caregivers especially during the pandemic is providing adequate nutrition for their children while ensuring the highest standards of hygiene to keep them safe.

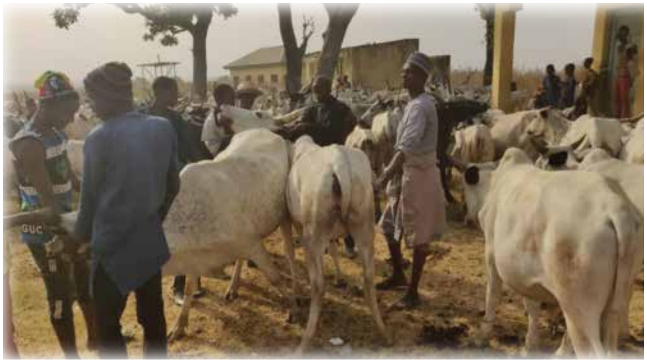
Media Capacity Development

Despite the COVID-19 pandemic, Nestlé Nigeria stayed true to her commitment to the capacity development of journalists by hosting a 2 weeks online media training in collaboration with the Lagos Business School Sustainability Centre. The sessions were delivered by LBS Faculty, media and Industry experts.

The aim of the training was to advance the understanding and inclusion of Creating Shared Value (CSV), Nutrition, Health and Wellness (NHW), Sustainability development concerns in media coverage. 27 participants completed the training.



Farmers Capacity Development



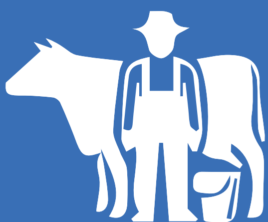
Farmer Capacity Development: Nestlé Livestock Development Program (NLDP)

Nestlé is in partnership with 2Scale & CBiL on a Livestock Development Project which will span for 5 years (2020 – 2024). The coalition will leverage resources to demonstrate how improved dairy farming practices can increase productivity in local dairy value chain. The project will support the Federal Government's backward integration initiative within the livestock transformation agenda as Nestlé is able to integrate more raw milk volumes in its production processes while helping to build capacity of the local dairy value chain to meet local consumption needs.

The project will help engender farming best practices comprising good feeding, good hygiene and good animal healthcare practices among pastoralists. The project aims to achieve high quality fresh milk in year 2 with fresh milk delivery to Nestlé's factories in Nigeria for integration into the production process of well known Nestlé local brands while also contributing to the local production capacity.

Key achievements of the program in 2020 include:

- Training of 1,000 pastoralist on Feeding, Milk Hygiene, Herd Health
- Community Engagement with FCTA reaching over 100 leaders
- Herd Health: vaccination and deworming of over 4,000 cattle



5years

Nestlé is in partnership with 2Scale & CBiL on a Livestock Development Project which will span for 5 years (2020 – 2024).

1,000

Training of 1,000 pastoralist on Feeding, Milk Hygiene, Herd Health

Farmers Capacity Development (cont'd)

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Youth Agripreneurship Development Program (YADIS)

In 2020, we continued the implementation of the Youth Agripreneurship Development Program (YADIS) project in collaboration with Alliance for a Green Revolution in Africa (AGRA) focused on attracting, training and supporting youths in Agripreneurship.

In Nigeria, the YADIS project covers a Cassava Plan, with Psaltry as the implementing partner and a Cereals plan with CBIL as the implementing partner. As part of her contribution, Nestlé provides technical support to improve grains and cassava yield, quality and strengthen services offered to farmers in upgrading the cassava and cereal supply chain.

With fewer youths in agriculture than other sectors of economy, there is need to take into consideration the long-term future of the agriculture sector. Factors limiting youths' participation in the sector include but not limited to, lack of access to funding, technical knowledge, market availability etc. YADIS seeks to promote and encourage youth participation in agriculture through innovative agronomic practices, increasing income and livelihoods of young agripreneurs while supporting and mentoring them.
In 2020, the cassava project empowered and built capacity of 400 young (30% female) agripreneurs through tripartite support from AGRA and Nestlé Nigeria in collaboration with Psaltry International to improve cassava yield through innovative agronomic practices, reduce rural youth migration to urban areas, increase their income and improve livelihoods while meeting the company's raw material demand. The beneficiaries cut across 7 clusters in 3 local government areas namely; Iseyin, Ibarapa East and Atisbo Local Governments in Oyo state. The services rendered to the young farmers included tractorization, extension services, provision of inputs such as fertilizer, herbicides, capacity building among others. The trainings covered good agronomic practices, co-operative members' education, record keeping, financial management, seed multiplication and post-harvest management, entrepreneur and business management.

Young agripreneurs also enjoyed a rare opportunity of mentorship, closely monitored farming activities under the supervision of extension officers in each cluster and better offtake price. As a result, the youth achieved yield increase to on average 18-22mt/ha (baseline is 10mt/ha).

The cereal project in collaboration with CBI Innovations Limited, successfully registered, trained and supported 372 farmers in increasing their productivity of maize (short of the 400 target as a result of disruptions due to COVID-19 lockdown prior to the season) in 2020. Each of the agripreneurs were provided a complete set of inputs and other extensive support such as fertilizers, seeds, pesticides, sprayers for cultivating 1 hectare of land by CBI Innovations Ltd and six training interventions throughout the crop cycle. Trainings covered business orientation to farming, data management in sustainable agricultural business, financial literacy, lifestyle support, data collection, Agronomy among others.

Of the twenty best producing farmers for the Cereals plan, a 25-year old female, produced 50 bags/Ha (5 tonnes/Ha) and 17 male youths below the age of 35 years produced an average of 58.47 bags/Ha (5.847 tonnes/Ha).

In its first attempt (on average), the project doubled the average annual yield of maize in 2020 reporting 3.2mt/ha compared to 1.77mt/ha.

The involvement and focus on young people is a key strategy for sustainability in the agricultural value chain.

Farmers Capacity Development (cont'd)

Private Sector Advisory Board (PSAG) Cluster 2 Joint Project

Private Sector Advisory Board (PSAG) Cluster 2 Joint Project

The Private Sector Advisory Group (PSAG) Nigeria was inaugurated in February 2017 with the aim of mobilizing private sector action to support government's effort towards attaining the Sustainable Development Goals (SDGs) in Nigeria.

PSAG Nigeria is made up of 10 clusters addressing specific focus areas of the 17 SDGs. Companies are mapped to the clusters based on their SDG(s) of interest. They leverage their sustainability programs to tackle the SDGs in line with their business objectives and the needs of their communities.

Members of PSAG Cluster 2 (which is mapped to SDG 3-Good Health and Well-being), executed a joint project to address maternal health in Kano State in collaboration with the Kano State Primary Health Care Development Board.

The joint cluster project which aimed at improving maternal health in Kano State, Nigeria impacted five Primary Health Centers (PHCs) within two local government areas by training midwives, providing delivery kits, conducting community engagement to increase the demand for maternity services and provision of an alternate power supply in one of the PHCs.

Member companies who co-implemented this project are Nestlé Nigeria PLC, Guinness Nigeria PLC, DAI with the support of Sahara Group.

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Nestlé's support for COVID-19 response

Nestlé Nigeria support for COVID-19 response

Nestlé Nigeria support for COVID-19 response

Nestlé Nigeria supported the COVID-19 response in Nigeria with N700m covering cash donation to CACOVID, product donations to the Federal Government and some state governments and donation of PPEs to the Lagos State Ministry of Health.

BUSINESS DAY

Nestlé supports COVID-19 response with N700m donation

by CALEB OJEWALE – On Apr 21, 2020

Agrobusiness Times

COVID-19 – Nestlé presents food and beverages worth N50 million to the Presidential Task Force

COVID-19: Nestle donates N32m palliatives to Rivers

Nestle Nigeria donates N32 million worth consumables to Rivers government.

Nestlé Donates N32m to Kano

editor May 4, 2020 3:32 Am

By Ibrahim Shuaibu

Nestlé Nigeria Plc has supported the Kano State Government with the donation of N32 million worth of food and beverages items.

NNN

HEALTH

COVID-19 – Nestlé donates PPE to Health Ministry

Published 2 weeks ago on June 4, 2020
By VIVIAN IHECHU

INDEPENDENT

Home › Latest News ›

COVID-19: Nestlé Supports Enugu State With Palliatives Worth N32m

LATEST NEWS

By Agency Report – 11:40 pm, Mon, 8 June 20

COVID-19: Nestlé Donates N32m Worth Of Palliatives To Kaduna

Agrobusiness Times

COVID-19 – Nestlé donates N5.3 million to support response efforts in Abaji

Donations to support COVID-19 response – States and FG

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Ogun State


Presidential Task Force


Kaduna State


Ekiti State


Lagos State


Kano State

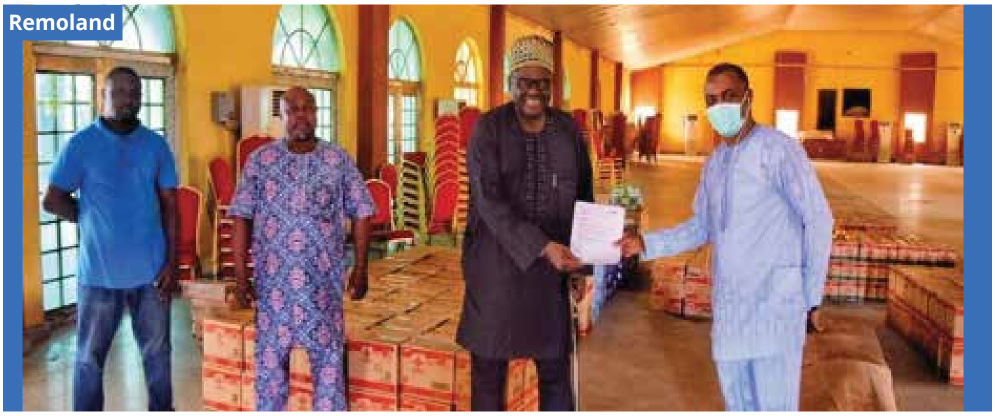

Rivers State


Enugu State

Donations to support COVID-19 response – States and FG

Agbara

Remoland



Abaji

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Our Planet

Nestlé's Net Zero Road Map

In December 2020, Nestlé announced its global roadmap to achieve net zero greenhouse gas (GHG) emissions. As a signatory of the UN Business Ambition for 1.5°C' pledge, Nestlé is one of the first companies to share its detailed, time-bound plan to halve the company's emissions by 2030, and to achieve net zero by 2050.

To accomplish this, globally, Nestlé will accelerate initiatives focusing on supporting farmers and suppliers to advance regenerative agriculture, planting hundreds of millions of trees within the next 10 years, completing the company's transition to 100 percent renewable electricity globally by 2025 and increasing the number of 'carbon neutral' brands.

Thirty journalists from Nigeria participated in the global virtual announcement of the Net Zero Road Map.

Nestlé Nigeria will continue to work with suppliers, farmers and other stakeholders towards the achievement of the net zero road map.

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 2020, FBRA maintained its key activities of 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.

Over 5,700MT of waste was removed from the environment via the Alliance.

Badagry community clean up on World Clean Up Day 2020


LASWA Clean Up Exercise

Nestlé's collaboration with Wecyclers and Chanja Datti

Nestlé's 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.

Nestlé signed a partnership on recovery and recycling of post-consumption plastic packaging waste in Lagos State with Wecyclers in September 2019 and with Chanja Datti Recycling Company Limited in September 2020 for the Northern part of the country.

Through these partnerships, 1,145 MT of waste was removed from the environment in 2020.

Nestlé Cares

Nestlé Nigeria volunteers, under the Nestlé Cares platform, continued to make impact in their communities by giving their time for market clean-up activities.

The 2020 World Cleanup day was marked across our locations to re-echo Nestlé's commitment to protecting the planet for future generations and in promoting a clean and healthy environment.

Over 100 volunteers participated in the clean-up of 7 markets (across Jos, Enugu, Abuja, Abaji, Abeokuta, Lagos and Kaduna) with over 500kg of waste removed from the environment.

Garki International Market, Abuja

Abaji Central Market, Abaji

Kaduna Central Market

Ojuwoye Market, Lagos

Recognitions

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Notable Awards in 2020

In recognition of Nestlé Nigeria as a distinguished sector player in the manufacturing industry, and its consistent performance and contributions, the Company received the following awards:

SERAS Awards: "The Best Company in Eradication of Hunger and Food Security" at the 14th edition of the Africa Sustainability, Enterprise and Responsibility (SERAS) CSR Awards.

DAME Awards: For sponsorship of the Nutrition Reporting category of the awards.

BRANDCOM Awards: 'Best Beverage Drink' in Nigeria – MILO

ADVAN Awards for Marketing Excellence 2020: 'Advan Community Hero' – For being at the frontline of COVID-19 relief initiatives in Nigeria

ICSAN Recognition Award - Promoting good Corporate Governance through sponsorship & support.


SERAS Awards

ADVAN Awards

ICSAN Awards


BRANDCOM Awards

DAME Awards

Pictures taken at the 51st Annual General Meeting held on June 30, 2020

Application Form for e-Bonus and e-Dividend

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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:__________

Name of Company in which you have shares:
Nestlé Nigeria Plc

Signature/Right Thumb print of Shareholders

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.

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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

52ND ANNUAL GENERAL MEETING TO BE HELD AT 11.00 a.m.

On Tuesday, 22 June 2021 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. Wassim Elhusseini or failing him, Mr. Gbenga Oyebode or failing him, Mr. Matthew Akinlade or failing him, Mr. Kazeem Owonikoko Bello or failing him, Mr. Chris Nwaguru or failing him, Mr. Nornah Awoh or failing him, Sir. Sunny Nwosu or failing him, Chief Timothy Adesiyan or failing him, Mrs. Bisi Bakare or failing her, Mr. Boniface Okezie or failing him, Mr. Anthony Omojola as my/our Proxy to act and vote for me/us at the Annual General Meeting of the Company to be held on 22 June 2021 and at any adjournment thereof.

Dated this..................day of...............................2021

Signature..

Ordinary Business	For	Against
To declare a Final Dividend		
To elect / re-elect Directors:		
Mr. Wassim Elhusseini		
Mr. Mauricio Alarcon		
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. In view of COVID-19 pandemic, the restriction on mass gatherings in the Coronavirus Disease (COVID-19) Health Protection Regulations 2021 and in line with the Guidelines issued by the Corporate Affairs Commission (CAC) on holding AGMs using proxies, CAC has approved that the Annual General Meeting (AGM) be conducted through the use of proxies by shareholders of the Company. Consequently, a member of the Company entitled to attend and vote at the AGM 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) Mrs. Bisi Bakare
f) Chief Timothy Adesiyan
g) Mr. Nornah Awoh
h) Mr. Wassim Elhusseini
i) Sir. Sunny Nwosu
j) Mr. Gbenga Oyebode
k) Mr. Anthony Omojola
l) Mr. Boniface Okezie

ii. Please sign this form and deposit it with the Registrars, Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P.M.B. 12717, Lagos or send it via E-mail to: info@gtlregistrars.com not later than 48 hours before the time of the meeting. If executed by a corporation, this form should be sealed with its common seal.

iii) The Company has made arrangements to bear the cost of stamp duties on the instruments of proxy.

NESTLÉ NIGERIA PLC 52ND 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, 22 June 2021.

....	....	....
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

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Greenwich Registrars & Data Solutions Limited
274 Murtala Muhammed Way
Alagomeji, Yaba, Lagos,
P. M. B. 12717, Lagos
Apapa.

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Nestlé Nigeria Plc

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

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Notes

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Notes

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