# Nestlé Nigeria Plc

## Annual Report and Financial Statements -- 31 December 2017

### Together with Directors' and Auditor's Reports

## Contents

**Corporate information**

| | | |
|---|---|---|
| **Board of Directors:** | Mr. David Ifezulike | Chairman |
| | Mr. Mauricio Alarcon (Mexican) | Managing Director/Chief Executive Officer |
| | Mr. Syed Saiful Islam (Bangladeshi) | Finance & Control Director (Resigned with effect from 31/12/2017) |
| | Mr. Ricardo Chavez (Mexican) | Non-Executive Director |
| | Mr. Kais Marzouki (German) | Non-Executive Director |
| | Mr. Gbenga Oyebode | Independent Non-Executive Director |
| | Mrs. Ndidi Okonkwo Nwuneli | Independent Non-Executive Director |
| | Mr. Jagdish Singla (India) | Finance & Control Director (Appointed with effect from 1/1/2018) |
| **Company Secretary/ Legal Adviser** | Mr. Bode Ayeku | |
| **Registered Office:** | 22-24, Industrial Avenue<br>Ilupeju, Lagos<br>Tel: 01 – 2798184, 2798188, 2790707 | |
| **Registrars:** | GTL Registrars Limited<br>274 Murtala Muhammed Way<br>Alagomeji, Yaba, Lagos<br>Tel: 01- 5803369, 5451399, 5803367 | |
| **Independent Auditors:** | Deloitte & Touche (formerly Akintola Williams Deloitte)<br>Civic Towers<br>Plot GA1, Ozumba Mbadiwe Avenue<br>Victoria Island, Lagos Nigeria<br>Tel: +234(1)9041700 | |
| **Members of the Audit Committee** | Mr. Matthew Akinlade | Chairman |
| | Alhaji Kazeem Owonikoko Bello | Shareholders' Representative |
| | Mr. Christopher Nwaguru | Shareholders' Representative |
| | Mrs Ndidi Okonkwo Nwuneli | Directors' Representative |
| | Mr. Ricardo Chavez (Mexican) | Directors' Representative |
| | Mr. Gbenga Oyebode | Directors' Representative |

**Financial Highlights**

| *In thousands of naira* | 2017 | 2016 | Increase/ (decrease) % |
|---|---|---|---|
| Revenue | 244,151,411 | 181,910,977 | 34% |
| Profit before income tax | 46,828,682 | 21,548,408 | 117% |
| Profit for the year | 33,723,730 | 7,924,968 | 326% |
| Declared dividend* | 19,816,406 | 15,060,469 | 32% |
| Share capital | 396,328 | 396,328 | 0% |
| Total equity | 44,878,177 | 30,878,075 | 45% |
| **Data per 50k share** | | | |
| Basic earnings | N42.55 | N10 | |
| Declared dividend | N25.00 | N19.00 | |
| Net assets | N56.62 | N38.96 | |
| **Dividend per 50k share in respect of current year results only** | | | |
| Interim dividend declared | ₦15.00 | - | |
| Final dividend proposed** | ₦27.50 | N10.00 | |
| **Stock Exchange Information** | | | |
| Stock exchange quotation at 31 December in Naira per share | ₦1,555.99 | N810.00 | 92% |
| Number of shares issued ('000) | 792,656 | 792,656 | 0% |
| Market capitalisation at 31 December (₦: million) | 1,233,365 | 642,052 | 92% |

* Declared dividend represents the interim dividend declared during the year (N13.00 and N2.00 from the balance of the pioneer profits as at 31 December 2015 and retained earnings as at 31 December 2015 respectively) and final dividend proposed for the preceding year but declared during the current year.

** The directors proposed a final dividend of N27.50 (2016:N10.00) per share on the issued share capital of 792,656,252 (2016:792,656,252) ordinary shares of 50k each, subject to approval by the shareholders at the Annual General Meeting.

## Directors' report

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 2017.

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:

| | 2017 | 2016 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Revenue | 244,151,411 | 181,910,977 |
| Results from operating activities | 55,698,373 | 38,213,337 |
| Profit before income tax | 46,828,682 | 21,548,408 |
| Profit for the year | 33,723,730 | 7,924,968 |
| Total comprehensive income for the year | 33,723,730 | 7,924,968 |

4 **Dividend**

The Directors recommend the payment of a final dividend of N27.50 (2016: N10.00) per share having earlier declared an interim dividend of N15.00 (composed of N13.00 and N2.00 from the balance of the pioneer profits as at 31 December 2015 and retained earnings as at 31 December 2015 respectively) (2016: Nil) on the issued share capital of 792,656,252 (2016:792,656,252) ordinary shares of 50k each. If the proposed dividend of N27.50 is approved by the shareholders, it will be subject to deduction of withholding tax at the applicable rate.

5 **Directors and Their Interests**

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

| | | Appointed/ (Resigned) | Interest in the Ordinary Shares of the Company 2017 | 2016 |
|---|---|---|---|---|
| Mr. David Ifezulike | - Chairman | | 56,255 | 56,255 |
| Mr. Mauricio Alarcon (Mexican) | - MD/CEO | | Nil | Nil |
| Mr. Syed Saiful Islam (Bangladeshi) | | (31/12/2017) | Nil | 1,610 |
| Mr. Jagdish Singla (India) | | 1/1/2018 | Nil | Nil |
| Mr. Kais Marzouki (German) | | | Nil | Nil |
| Mr. Ricardo Chavez (Mexican) | | | Nil | Nil |
| Mrs. Ndidi Okonkwo Nwuneli | | | Nil | Nil |
| Mr. Gbenga Oyebode | | | Nil | Nil |

(b) Mr. Gbenga Oyebode, was the Non-Executive Chairman of Access Bank Plc, one of the Company's bankers and a Non-Executive Director of MTN Nigeria Communications Limited (MTN), one of the telecommunication service providers of the Company. In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, he has notified the Company of his position with Access Bank Plc and MTN to the Board.

(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 26 to the financial statements.

**Directors' report**

6 **Records of Directors' Attendance**

Further to the provisions of Section 258(2) of the Companies and Allied Matters Act of Nigeria, the Record of Directors' Attendance at Board Meetings held in 2017 is available at the Annual General Meeting for inspection.

7 **Analysis of Shareholdings**

| | | | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|---|---|
| 1 | - | 1,000 | 18,364 | 63.63 | 5,535 | 0.70 |
| 1,001 | - | 5,000 | 7,116 | 24.66 | 16,327 | 2.06 |
| 5,001 | - | 10,000 | 1,691 | 5.86 | 11,560 | 1.46 |
| 10,001 | - | 50,000 | 1,357 | 4.70 | 26,594 | 3.36 |
| 50,001 | - | 100,000 | 148 | 0.51 | 10,164 | 1.28 |
| 100,001 | - | 500,000 | 127 | 0.44 | 26,913 | 3.40 |
| 500,001 | - | 1,000,000 | 27 | 0.09 | 20,027 | 2.53 |
| 1,000,001 | | and above | 31 | 0.11 | 150,978 | 19.05 |
| | | | 28,861 | 99.997 | 268,097 | 33.82 |
| Nestlé S.A, Switzerland * | | | 1 | 0.003 | 524,559 | 66.18 |
| | | | 28,862 | 100 | 792,656 | 100 |

* Apart from Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18%) and Stanbic IBTC Nominees Limited with 9.50%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2017.

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 N2,088,000 (2016: N8,778,000) and analysed as follows:

| | 2017 |
|---|---|
| | N'000 |
| Product donation to Internally Displaced Persons (IDP) Camps via the AFBTE | 986 |
| Product donation to Kokumo Oladipo Memorial foundation | 375 |
| Product donation to Marie Louse College | 318 |
| Agbara Divisional Police | 240 |
| Product donation to Health Writers Association of Nigeria | 86 |
| Product donation to Capital Market Correspondents Assoc. of Nigeria | 83 |
| | 2,088 |

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

In addition to the above mentioned donations, the Company continued with its strong focus on creating shared values initiatives.

**Directors' report**

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 both employees and former employees of Nestlé Nigeria Plc.

11 **Local Sourcing of Raw Materials**

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

12 **Major Distributors**

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

13 **Suppliers**

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

14 **General Licence Agreement**

The Company has a general licence agreement with Societe des Produits Nestlé S.A., Nestec S.A. and Nestlé S.A., all based in Switzerland. Under the agreement, technological, scientific and professional assistance are provided for the manufacture, marketing, quality control and packaging of the Company's products, development of new products and training of personnel abroad. Access is also provided to the use of patents, brands, inventions and know-how.

The Company obtained the approval of the National Office for Technology Acquisition and Promotion (NOTAP) with certificate No. CR 005823 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 2015 to 31st December 2017

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 18 (2016: 14) physically challenged persons in its employment as at 31 December 2017.

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.

**Directors' report**

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

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

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

The modernization of the medical facilities by the Company is in line with Nestlé Corporate Business principles of promoting safe and healthy work environment for the employee.

In addition, the Company retains a number of registered private hospitals run by qualified medical doctors to whom serious cases of illness are referred for treatment.

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 three(3) sets of technical students from Nestle technical training center (NTTC). The multi-skill engineering training runs for period of 18 months.The total number of those who have so far completed the programme till date is forty-six (46). The cost of the training was fully paid by our Company. The success of the TCC in our Agbara factory has spurred us on to replicate and adapt the TCC model in our Nestle 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, eight (8) of the thirteen (13) graduates from the first batch, thirteen (13) graduates from the second batch and all the twenty (20) graduates from the third batch were given employment by our Company. The other graduates from the first and second batch are in full time employment with other organizations.

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

**Directors' report**

17 **Remuneration Committee**

The remuneration committee, which consists of three directors namely Mr. David Ifezulike, Mr. Kais Marzouki and Mr. Ricardo Chavez were appointed by the Board of Directors to submit recommendations on the salaries of executive directors to the Board for approval.

18 **Audit Committee**

In accordance with section 359(4) of the Companies and Allied Matters Act of Nigeria, members of the audit committee of the Company were elected at the Annual General Meeting held on 23 May 2017. Members that served on the audit committee during the year comprise:

| | |
|---|---|
| Mr. Matthew Akinlade (Chairman) | Shareholders' Representative |
| Alhaji Kazeem Owonikoko Bello | Shareholders' Representative |
| Mr. Christopher Nwaguru | Shareholders' Representative |
| Mrs. Ndidi Okonkwo Nwuneli | Directors' Representative |
| Mr. Gbenga Oyebode | Directors' Representative |
| Mr. Ricardo Chavez | Directors' Representative -Appointed 1/2/2017 |

19 **Risk Management Committee**

The Committee is to assist the Board in its oversight of the risk profile, risk management framework and the risk reward strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile. Messrs. Oyebode, Chavez and Islam served on the committee.

20 **Effectiveness of Internal Control System**

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

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

21 **Disclosures**

a) Borrowings and Maturity Dates

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

b) Risk Management and Compliance System

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

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

c) Sustainability Initiatives

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

d) Related Party Transactions

The Company has contractual relationship with related companies in the ordinary course of business. The details of the outstanding amounts arising from related party transactions are stated in Notes 21,24,26,28 and 32 to the financial statements. In addition, the Company (and other operating companies of Nestlé in Central and West Africa) executed a Shared Services Agreement with Nestlé Central and West Africa Limited. The purpose of the agreement is to ensure the provision of common operational shared services to all members of the Nestlé Group of companies operating within the Central and West Africa Region, which each member company had previously provided to itself on standalone basis with the attendant duplication of functions, resources and costs. The allocation of the costs to each company is based on Activity Based Costing.

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

Corporate Business Principles

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

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

(a) Nutrition, Health and Wellness

We encourage Health and Wellness of our employees 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.

**Directors' report**

(e) Leadership and Personal Responsibility

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

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

(f) Safety and Health at Work

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

We have Clinics in our Factories, Distribution Centre and Head Office. The Clinics at the factories operate 24 hours service. Also we have Hospitals listed on retainer basis with the company for our employees and their family use. No major industrial accident occurred during the period under review. All the injured employees have since resumed their normal duties. An accident is classified as major if the affected person is not able to resume work after 3 days. Efforts are being made by the Management and the Safety, Health and Environment Officers at the various sites to curtail 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.

**Directors' report**

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

(i) Environmental sustainability
We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources and target zero waste.
We invest continuously to improve our environmental performance. The Nestlé Policy on Environmental Sustainability incorporates the United Nations Global Compact's three guiding principles on environment (Principle 7 on support for precautionary approach to environmental challenges; Principle 8 on the need to undertake initiatives to promote environmental responsibility and Principle 9 on the need to encourage the development and diffusion of environmentally friendly technologies). Our four priority areas are: water, agricultural raw materials, manufacturing and distribution of our products and packaging. We implement our policy through the Nestlé Environmental Management System. We believe that environmental performance is a shared responsibility and requires the cooperation of all parts of society. We are determined to always provide leadership within our sphere of influence.

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

Number, diversity, training initiatives and development of employees
As at 31 December 2017, the staff strength of the Company was 2201 (2016: 2,325). 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 22 (2016: 18) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland, Senegal, Dubai, South Africa and Germany in order to give them the required exposure to enable them take up higher responsibilities.

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.

**Directors' report**

**23 Insider Trading**

The directors of the Company and senior employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Stock Exchange. As required by law, the shares held by directors are disclosed in the annual report. Our Company has securities trading policy applicable and circulated to directors, insiders, external advisers and all employees that may at any time possess any inside or material information about our Company. The securities trading policy is also available on the website of the Company.

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

**24 Notable Awards received in 2017**

In recognition of Nestle Nigeria as a distinguished sector player in the manufacutring industry and its consistent performance in spite of the prevailing economic climate, Nestle was awarded the Food Product Manufacturing Company of the year (Seasoning cubes and Cocoa beverage) for our innovation in MAGGI Naija Pot and MILO RTD respectively.

**25 Independent Auditors**

The firm of Deloitte and Touche have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Allied Act CAP C20 Laws of the Federation of Nigeria, 2004.

Dated this 1st day of March 2018.

BY ORDER OF THE BOARD

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

**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 2017, 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 2017 were approved by directors on 1st March, 2018

**Signed on behalf of the Directors of the Company:**

| | | |
|---|---|---|
| **David Ifezulike** | **Mauricio Alarcon** | **Gbemisola Osunleke** |
| **(Chairman)** | **(Managing Director)** | **(Financial Accounting Manager)** |
| ***FRC/2013/NIM/00000003355*** | ***FRC/2017/NIM/00000016043*** | ***FRC/2012/ICAN/00000000424*** |
| **1 March 2018** | **1 March 2018** | **1 March 2018** |

AUDIT COMMITTEE OF

**Nestlé Nigeria PLC** (RC 6540)

22-24, INDUSTRIAL AVENUE, ILUPEJU
P.M.B. 21164, IKEJA, NIGERIA

TELEPHONES: 01- 2798184, 2798188
2790707

## REPORT TO THE MEMBERS OF NESTLÉ NIGERIA PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, (CAP. C20), Laws of the Federation of Nigeria, 2004, we have examined the Auditor's Report for the year ended 31 December 2017.

We have obtained all the information and explanations we required.

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

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

**Dated this 1st day of March, 2018**
Lagos, Nigeria

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

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

# Deloitte.

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## Independent Auditor's Report

## To the Shareholders of Nestlé Nigeria Plc

### Opinion

We have audited the accompanying financial statements of Nestlé Nigeria Plc which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Nestlé Nigeria Plc as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

### Basis for Opinion

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

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Re-computation of incentive/utilization of accrual for Distributor's incentive** | |
| The Company provides its Distributors volume based incentives to drive sales.<br><br>Debited to the Revenue disclosed in Note 9 to the Financial Statements is an amount of N10.9billion as sales incentives paid to the Distributors during the year by the Company.<br><br>The assumptions with the most significant impact in the assessment of sales incentives were border around:<br>• Achievement of cash collection targets<br>• Achievement of sell out targets<br>• Achievement of sell in targets<br><br>Judgement is required by the Directors in assessing the incentives amount accruable to Distributors.<br><br>Accordingly, for the purposes of our audit, we identified the assessment of incentives amount as key audit matter. | Our audit procedures incorporated a combination of a test of the Company's controls relating to incentives and substantive procedures. In addressing the risk, we performed the following:<br><br>• We evaluated the company's model for calculating customer incentives to ensure that all models applied have been approved by the Board of Directors and have been applied accurately and consistently.<br>• Obtained an understanding and documentation of the incentive schemes currently used by in the Company.<br>• Reviewed and tested controls with respect to the application and implementation incentives.<br>• Verified for that customers that benefited from the incentive scheme(s) have met the criteria set out by the board of directors<br>• We reviewed the data used by management in the computation of the incentive balance to ensure it is accurate and complete.<br>• Verified accuracy of incentives calculated for selected customers, and that they were in line with the terms of the approved scheme(s).<br>• We also verified the utilization of the incentive amounts per quarter to the Distributor credit on a sample basis.<br><br>Our testing did not reveal any material misstatement and we concur with the company's application of the incentive models approved by the Directors of the Company. |

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| Current and deferred tax | |
|---|---|
| There are various complexities relating to the treatment and recognition of current and deferred tax, in particular:<br><br>• The tax treatment of property related items, i.e. leasehold improvements and fixtures and fittings, is significantly different from the accounting treatment. Accordingly, there is significant judgement involved in determining tax and deferred tax.<br>• The determination of whether to recognise deferred tax assets is dependent on the directors' assessment of the utilisation of the losses and the timing of realising temporary differences, which requires significant judgement.<br><br>As a result, taxation is considered a key audit matter due to the complexities and judgement arising from the considerations relating to the calculation, recognition, and classification of current and deferred tax balances and the materiality of the balances in relation to the financial statements as a whole.<br><br>The accounting policies on taxes are disclosed on Note 3 (O), and information on current and deferred taxes are disclosed in Notes 13 and 19. | We involved tax specialists in the engagement to evaluate the tax provisions and potential exposures, with a particular focus on the management's treatment of PPE, allowable and disallowable expense and income and assumptions used by management in estimation of current and deferred taxes.<br><br>We reviewed the data used by management in estimation of current and deferred taxes and agreed them to audited numbers.<br><br>We concurred with the management's determination of the estimated manner in which timing differences will be realised.<br><br>We assessed the presentation and disclosure in respect of taxation related balances and considered whether the disclosures reflected the risks inherent in the accounting for the taxation balances.<br><br>Our audit testing, including the review carried out by tax specialist did not reveal any material misstatements. |

**Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report, which we obtained prior to the date of this auditor's report. 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 any form of assurance conclusion thereon.

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

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

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**Responsibilities of the directors for the Financial Statements**
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public by such communication.

**Report on Other Legal and Regulatory Requirements**

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

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

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

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

**Michael Osinloye, FCA** - FRC/2013/ICAN/00000000819
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
2 March, 2018

**Statement of Profit or loss and Comprehensive Income**

*In thousands of naira*

| | *Note* | 2017 | 2016 |
|---|---|---|---|
| Revenue | 9 | 244,151,411 | 181,910,977 |
| Cost of sales | 11(b) | (143,280,260) | (106,583,385) |
| **Gross Profit** | | 100,871,151 | 75,327,592 |
| Marketing and distribution expenses | 11(b) | (35,157,152) | (28,775,263) |
| Administrative expenses | 11(b) | (10,015,626) | (8,338,992) |
| **Results from operating activities** | | 55,698,373 | 38,213,337 |
| Finance income | | 6,239,371 | 4,199,314 |
| Finance costs | | (15,109,062) | (20,864,243) |
| **Net finance cost** | 10 | (8,869,691) | (16,664,929) |
| **Profit before income tax** | 11 | 46,828,682 | 21,548,408 |
| Income tax expense | 13(a) | (13,104,952) | (13,623,440) |
| **Profit for the year** | | 33,723,730 | 7,924,968 |
| **Other comprehensive income** | | - | - |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year** | | 33,723,730 | 7,924,968 |
| **Profit for the year is attributable to:** | | | |
| Owners of the company | | 33,723,730 | 7,924,968 |
| **Total comprehensive income for the year is attributable to:** | | | |
| Owners of the company | | 33,723,730 | 7,924,968 |
| **Earnings per share** | | N | N |
| Basic earnings per share | 14 (a) | 42.55 | 10.00 |
| Diluted earnings per share | 14 (b) | 42.55 | 10.00 |

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

**Statement of Financial Position**

*In thousands of naira*

| | Note | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 15 | 72,377,943 | 70,171,526 |
| Long term receivables | 17 | 1,921,232 | 1,678,251 |
| **Total non-current assets** | | 74,299,175 | 71,849,777 |
| Inventories | 20 | 23,910,303 | 20,637,750 |
| Trade and other receivables | 21 | 31,430,450 | 24,035,411 |
| Prepayments | 18 | 2,025,346 | 1,711,842 |
| Cash and cash equivalents | 22 | 15,138,854 | 51,351,152 |
| **Total current assets** | | 72,504,953 | 97,736,155 |
| **Total assets** | | **146,804,128** | **169,585,932** |
| **Equity** | | | |
| Share capital | 23 (a)(ii) | 396,328 | 396,328 |
| Share premium | 23 (a)(iii) | 32,262 | 32,262 |
| Share based payment reserve | 23 (a)(iv) | 147,236 | 126,480 |
| Retained earnings | | 44,302,351 | 30,323,005 |
| **Total Equity** | | 44,878,177 | 30,878,075 |
| **Liabilities** | | | |
| Loans and borrowings | 24 | 9,564,664 | 10,384,341 |
| Employee benefits | 25 | 2,275,921 | 2,103,744 |
| Deferred tax liabilities | 19 | 10,404,871 | 5,186,338 |
| **Total non- current liabilities** | | 22,245,456 | 17,674,423 |
| Bank Overdraft | 22 | 3,714,087 | 154,582 |
| Current tax liabilities | 13(b) | 15,098,670 | 15,489,634 |
| Loans and borrowings | 24 | 10,913,246 | 40,130,375 |
| Trade and other payables | 28 | 49,055,624 | 64,662,096 |
| Provisions | 27 | 898,868 | 596,747 |
| **Total current liabilities** | | 79,680,495 | 121,033,434 |
| **Total liabilities** | | 101,925,951 | 138,707,857 |
| **Total equity and liabilities** | | **146,804,128** | **169,585,932** |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

Mauricio Alarcon
(Managing Director)
*FRC/2017/NIM/00000016043*

Gbemisola Osunleke
(Financial Accounting Manager)
*FRC/2012/ICAN/00000000424*

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* | *Share capital* | *Share premium* | *Share based payment reserve* | *Retained earnings* | *Total equity* |
|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | | 396,328 | 32,262 | 126,480 | 30,323,005 | 30,878,075 |
| **Profit for the year** | | | | | | |
| Profit or loss | | - | - | - | 33,723,730 | 33,723,730 |
| Other comprehensive income | | - | - | - | - | - |
| **Total comprehensive income** | | - | - | - | 33,723,730 | 33,723,730 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividend to equity holders | 23 (b)(i) | - | - | - | (19,816,406) | (19,816,406) |
| Unclaimed dividend written back | 23 (b)(ii) | - | - | - | 72,022 | 72,022 |
| Share based payment contribution | 23(a) (iv) | - | - | 78,832 | - | 78,832 |
| Share based payment recharge | | - | - | (58,076) | - | (58,076) |
| **Balance as at 31 December 2017** | | 396,328 | 32,262 | 147,236 | 44,302,351 | 44,878,177 |
| Balance at 1 January 2016 | | 396,328 | 32,262 | 150,466 | 37,428,018 | 38,007,074 |
| **Profit for the year** | | | | | | |
| Profit or loss | | - | - | - | 7,924,968 | 7,924,968 |
| **Total comprehensive income** | | - | - | | 7,924,968 | 7,924,968 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividend to equity holders | 23 (b)(i) | - | - | - | (15,060,469) | (15,060,469) |
| Unclaimed dividend written back | 23 (b)(ii) | - | - | - | 30,488 | 30,488 |
| Share based payment contribution | 23(a) (iv) | - | - | 85,195 | - | 85,195 |
| Share based payment recharge | | - | - | (109,181) | - | (109,181) |
| **Balance as at 31 December 2016** | | 396,328 | 32,262 | 126,480 | 30,323,005 | 30,878,075 |

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

**Statement of Cash Flows**

*In thousands of naira*

| | Note | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 33,723,730 | 7,924,968 |
| Adjustments for: | | | |
| Depreciation | 15 | 6,485,547 | 5,976,340 |
| Net loss on foreign exchange transactions | 10 | 11,168,652 | 16,286,926 |
| Net finance cost | | (2,298,961) | 378,003 |
| Equity settled share based payment transactions | 26 | 78,832 | 85,195 |
| Provisions for other long term employee benefits | 25 (a) | 556,369 | (86,411) |
| (Gain)/loss on sale of property, plant and equipment | | (19,281) | 42,213 |
| Income tax expense | 13(a) | 13,104,952 | 13,623,440 |
| | | 62,799,840 | 44,230,674 |
| Changes in long term receivables | | (242,981) | (326,055) |
| Change in inventories | | (3,272,553) | (9,823,790) |
| Change in trade and other receivables | | (7,395,039) | 410,585 |
| Change in prepayments | | (313,504) | (1,186,637) |
| Change in trade and other payables (excluding dividend payable) | | (23,922,352) | 33,051,880 |
| Changes in provisions | | 302,121 | (19,087) |
| **Cash generated from operating activities** | | 27,955,532 | 66,337,570 |
| Income tax paid | 13 (b) | (8,277,383) | (4,551,484) |
| Other long term employee benefit paid | 25(a) | (384,192) | (192,058) |
| Share based payment recharge paid | | (58,076) | (109,181) |
| **Net cash in flow from operating activities** | | 19,235,881 | 61,484,847 |
| **Cash flow from investing activities** | | | |
| Finance income | 10 | 6,239,371 | 4,199,314 |
| Proceeds from sale of property, plant and equipment | | 42,931 | 25,829 |
| Acquisition of property, plant and equipment | 15 | (8,715,614) | (7,067,737) |
| **Net cash used in investing activities** | | (2,433,312) | (2,842,594) |
| **Cash flow from financing activities** | | | |
| Proceeds from loans obtained-- Intercompany loan | | 4,886,800 | 7,968,000 |
| -- Bank loan | | - | - |
| Repayments of borrowings -- Intercompany loan | | (41,241,015) | (4,364,138) |
| -- Bank loan | | (1,502,620) | (1,502,620) |
| Change in import finance loan | 24 | - | - |
| Finance cost paid | | (7,289,033) | (2,089,933) |
| Dividends paid | 23(b) | (11,428,504) | (20,081,494) |
| **Net cash used in financing activities** | | (56,574,372) | (20,070,185) |
| Net (decrease)/increase in cash and cash equivalents | | (39,771,803) | 38,572,068 |
| Cash and cash equivalent at January 1 | | 51,196,570 | 12,624,502 |
| **Cash and cash equivalent at December 31** | 22 | 11,424,767 | 51,196,570 |

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

**Notes to the financial statements**

**Notes to the financial statements**

**1 Reporting entity**

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

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

**2 Basis of accounting**

*(a) Statement of Compliance*

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's Board of Directors on **1 March 2018.**

*(b) Basis of measurement*

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

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

*(c) Functional and presentation currency*

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

*(d) Changes in accounting Estimate*

On 1 January 2016, the Company re-assessed the useful life of leasehold land from the term of the lease (99 years) to unlimited. The Company believes that the leasehold interest in land is in substance similar to ownership of land and therefore should not be depreciated.

This change in accounting estimate was applied prospectively in accordance with IAS 8 *Accounting Policy and Changes in Accounting Estimates and Error.*

**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.

**Notes to the financial statements**



**a) Foreign currency transaction**

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

**b) Financial instruments**

***I. Non-derivative financial assets***

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company's non-derivative financial assets are classified as loans and receivables.

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

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

*ii. Non-derivative financial liabilities*

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company has the following non-derivative financial liabilities: loan and borrowings, bank overdrafts, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

*III. Share capital*

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

**c) Property, plant and equipment**

*I. Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2011, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

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

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

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

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

**Notes to the financial statements**

*II. Subsequent costs*

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

*III. Depreciation*

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

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

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.

Land has unlimited useful life so it is not depreciated

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

**d) Intangible assets**

*I. Software*

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

*II. Subsequent expenditure*

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

**Notes to the financial statements**

***III. Amortisation***

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

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

| | |
|---|---|
| Computer software | 5 years |

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

**e) Leased assets**

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

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

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

**f) Inventories**

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

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

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

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

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

g) **Impairment**

I. ***Financial assets (including receivables)***

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

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

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

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

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

II. ***Non-financial assets***

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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

**h) Employee benefits**

***I. Defined contribution plans***

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

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

1 Defined contribution gratuity scheme

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

NNTL previously called Nestlé Nigeria Provident Fund Limited was incorporated by the Company and is a duly registered closed pension fund administrator whose sole activity is the administration of the pension, gratuity and defined contribution gratuity scheme for both employees and former employees of Nestlé Nigeria Plc.

2 Pension fund scheme

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

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

Long service awards accrue to employees based on graduated periods of uninterrupted service. These benefits accrue over the service life of the employees. The charge to the profit and loss account is based on independent actuarial valuation performed using the projected unit credit method. Ernest & Young (FRC/2012/NAS/00000000738) was engaged as the independent actuary in the current year. Actuarial remeasurements are recognised in the profit and loss in the year in which they arise.

**Notes to the financial statements**

***III. Termination benefits***

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

***IV. Short-term employee benefits***

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

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

***V. Share-based payment transactions***

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

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

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

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services and has no obligation to settle the share-based payment transaction are accounted for as equity-settled share-based payment transactions, regardless of the equity instrument awarded.

**i) Provisions**

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

**Notes to the financial statements**

j) **Contingent liabilities**

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

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.

k) **Statement of cash flows**

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

l) **Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of Value Added Tax, sales returns, trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

m) **Advance payment to contractors**

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

n) **Finance income and finance costs**

Net finance cost includes interest expense on borrowings as well as interest income on funds

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

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

o) **Income tax**

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

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

**Notes to the financial statements**

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.

Deferred tax is provided for using the liability method, which represents taxation at the current rate of corporate tax on all timing differences between the accounting values and their corresponding tax values. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**p) Earnings per share**

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

**q) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors (BOD) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

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

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

**r) Dividends**

Dividends are recognised as 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.

**Notes to the financial statements**

**s) Government grants**

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

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

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

**t) Related parties**

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

**4 Operating segments**

**(a) Basis of segmentation**

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's Board of Directors (BOD) review internal management reports on a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

| **Segment** | **Description** |
|---|---|
| Food | This includes the production and sale of Maggi, Cerelac, Nutrend, Nan, Lactogen and Golden Morn. |
| Beverages | This includes the production and sale of Milo, Chocomilo, Nido, Nescafe 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 below. 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.

**Notes to the financial statements**

## 5 Application of new and revised International Financial Reporting Standards (IFRSs)

### 5.1 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

**Amendments to IAS 7 Disclosure Initiative**

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of loans and borrowings. A reconciliation between the opening and closing balances of the loans and borrowings is provided in note (24d). Apart from the additional disclosure in note (24d), the application of these amendments has had no impact on the Company's financial statements.

**Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

### 5.2 New and revised IFRSs in issue but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2017 and early application is permitted; however, the Company has not applied the new or amended standards in preparing these financial statements.

Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company are set out below:

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 15 | Revenue from Contracts with Customers[1] |
| Amendments to IFRS 2 | Classification and measurement of Share-based Payment Transactions[1] |
| IFRIC 22 | Foreign currency transactions and advance consideration[1] |
| Amendments to IAS 40 | Transfers of Investment Property[1] |
| IFRS 16 | Leases[2] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2014-2016 Cycle[1] |

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

**Notes to the financial statements**

**IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: *Recognition and Measurement* .

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

**IFRS 15: Revenue from Contracts with Customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue

This standard combines, enhances and replaces specific guidance on recognizing revenue with a single standard.

It defines a new five-step model to recognize revenue from customer contracts. The Company has undertaken a review of the main types of commercial arrangements used with customers under this model and has tentatively concluded that the application of IFRS 15 will not have a material impact on the results or financial position. The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

**Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions**

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payment* .

The amendments cover three accounting areas:

- *Measurement of cash-settled share-based payments*
- *Classification of share-based payments settled net of tax withholdings*
- *Accounting for a modification of a share-based payment from cash-settled to equity-settled*

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The Company will adopt the amendments for the year ending 31 December 2018.

**IFRIC 22: Foreign currency transactions and advance consideration**

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

**Notes to the financial statements**

The interpretation applies when a Company:

- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

The Company will adopt the amendments for the year ending 31 December 2018.

**Amendments to IAS 40: Transfers of Investment Property**

The IASB has amended the requirements of IAS 40 Investment Property on when a Company should transfer a property to, or from, investment property

The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.

A company has a choice on transition to apply:

- the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that
- the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight

The Company will adopt the amendments for the year ending 31 December 2018.

**IFRS 16: Leases**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease* , SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

**Notes to the financial statements**

**6 Critical accounting judgements and key sources of estimation uncertainty**

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:

**6.1 Critical accounting judgements**

**6.1.1 Allowance for credit losses**

The Company periodically assesses its trade receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of management, judgment is exercised in determining the allowances made for credit losses.

Provisions are made for receivables that have been outstanding for more than 60 days, in respect of which there is no firm commitment to pay by the customer.

Furthermore all balances are reviewed for evidence of impairment and provided against once recovery is doubtful. These assessments are subjective and involve a significant element of judgment by management on the ultimate recoverability of amounts receivable.

**6.2 Key sources of estimation uncertainty**

**6.2.1 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.

**6.2.2 Estimated useful lives and residual values of property, plant and**

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 2017 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.

**6.2.3 Valuation of deferred tax**

The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the Company's future financial performance and if necessary, implementation of tax planning strategies.

**Notes to the financial statements**

**7 Information about reportable segment**

| *In thousands of naira* | Food | | Beverage | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| External Revenues | 154,226,251 | 113,377,971 | 89,925,160 | 68,533,006 | | - | 244,151,411 | 181,910,977 |
| Interest revenue | - | - | - | - | 6,239,371 | 4,199,314 | 6,239,371 | 4,199,314 |
| Interest expense | - | - | - | - | (15,109,062) | (20,864,243) | (15,109,062) | (20,864,243) |
| Depreciation | (4,123,574) | (4,032,553) | (2,361,973) | (1,943,787) | - | - | (6,485,547) | (5,976,340) |
| Impairment loss | - | - | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - | - | - |
| Reportable segment profit before income tax | 38,596,540 | 26,187,811 | 17,101,833 | 12,328,032 | (8,869,691) | (16,967,435) | 46,828,682 | 21,548,408 |

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.

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

*In thousands of naira*

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

| **Profit or loss** | 2017 | 2016 |
|---|---|---|
| Total profit or loss for reportable segments | 55,698,373 | 38,515,843 |
| Other corporate expenses and income | (8,869,691) | (16,967,435) |
| Profit before income tax | 46,828,682 | 21,548,408 |

**Other material items 2017**

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

**Notes to the financial statements**

## 8 Geographical information

| *In thousands of naira* | 2017 | | 2016 | |
|---|---|---|---|---|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Nigeria | 241,122,642 | 74,299,175 | 180,004,058 | 71,849,777 |
| Niger | 135,773 | - | 62,727 | - |
| Chad | | - | - | - |
| Togo | | - | 38,537 | - |
| Ghana | 2,648,664 | - | 974,510 | - |
| Senegal | | - | 39,518 | - |
| Guinea | | - | 517,254 | - |
| Other countries | 244,332 | - | 274,373 | - |
| | 244,151,411 | 74,299,175 | 181,910,977 | 71,849,777 |

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* | 2017 | 2016 |
|---|---|---|
| Nigeria | 241,122,642 | 180,004,058 |
| Export | 3,028,769 | 1,906,919 |
| Total Revenue | **244,151,411** | **181,910,977** |

## 10 Net finance cost

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Interest income on bank deposits | 6,239,371 | 4,199,314 |
| Finance income | 6,239,371 | 4,199,314 |
| | | |
| Interest expense on financial liabilities | (3,940,410) | (4,577,317) |
| Net foreign exchange loss | (11,168,652) | (16,286,926) |
| Finance expense | (15,109,062) | (20,864,243) |
| Net finance cost | **(8,869,691)** | **(16,664,929)** |

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N2,233 million (2016: N2,377 million ) excluding the impact of foreign exchange differences.

**Notes to the financial statements**

## 11 Profit before income tax

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

| *In thousands of naira* | *Note* | 2017 | 2016 |
|---|---|---|---|
| Depreciation | 15(a) | 6,485,547 | 5,976,340 |
| Auditor's remuneration | | 35,000 | 32,400 |
| Directors' remuneration | 12 (c) | 280,531 | 194,628 |
| Personnel expenses | 12 (a) | 22,758,609 | 20,817,867 |
| (Gain)/Loss on property, plant and equipment disposed | | (19,281) | 42,213 |
| Net foreign exchange loss | 10 | 11,168,652 | 16,286,926 |
| General licence fees | 32(b) | 9,204,212 | 6,862,380 |

(b) Expenses by nature

| *In thousands of naira* | *Note* | 2017 | 2016 |
|---|---|---|---|
| Depreciation | 15(a) | 6,485,547 | 5,976,340 |
| Impairment loss on property, plant and equipment | 15(a) | - | - |
| Auditor's remuneration | | 35,000 | 32,400 |
| Personnel expenses | 12(a) | 22,758,609 | 20,817,867 |
| General licence fees | 32(b) | 9,204,212 | 6,862,380 |
| Raw materials and consumables | | 97,524,898 | 75,447,982 |
| Distribution expense | | 8,698,034 | 6,879,419 |
| Advertising | | 2,987,477 | 2,283,654 |
| Sales Promotion | | 12,437,875 | 8,473,058 |
| Factory overheads | | 16,218,612 | 13,015,142 |
| Other expenses | | 12,102,775 | 3,909,398 |
| | | 188,453,039 | 143,697,640 |
| Summarised as follows: | | | |
| Cost of Sales | | 143,280,260 | 106,583,385 |
| Marketing and distribution expenses | | 35,157,152 | 28,775,263 |
| Administrative expenses | | 10,015,626 | 8,338,992 |
| | | **188,453,038** | **143,697,640** |

**Notes to the financial statements**

**12 Personnel expenses**

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

| *In thousands of naira* | | 2017 | 2016 |
|---|---|---|---|
| Salaries, wages and allowances | | 11,322,223 | 10,967,121 |
| Contributions to compulsory pension fund scheme | | 1,104,584 | 1,069,498 |
| Contributions to defined contribution gratuity scheme | | 1,213,670 | 1,068,490 |
| Employee short term bonus | | 1,470,175 | 1,704,998 |
| Training, recruitment and canteen expenses | | 1,319,165 | 1,232,529 |
| Medical expenses | | 495,828 | 631,549 |
| Equity-settled share-based payment transactions | 23 | 78,832 | 85,195 |
| Other personnel expenses | | 5,754,132 | 4,058,487 |
| | 11 | **22,758,609** | **20,817,867** |

(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:

| | | | 2017 | 2016 |
|---|---|---|---|---|
| ₦ | | ₦ | Number | Number |
| 1,400,001 | - | 1,600,000 | 22 | 21 |
| 1,600,001 | - | 1,800,000 | 8 | 3 |
| 1,800,001 | - | 2,000,000 | - | 47 |
| 2,000,001 | - | 2,500,000 | 12 | 101 |
| 2,500,001 | - | 3,000,000 | 110 | 180 |
| 3,000,001 | - | 3,500,000 | 230 | 563 |
| 3,500,001 | - | 4,000,000 | 509 | 358 |
| 4,000,001 | - | 4,500,000 | 287 | 153 |
| 4,500,001 | - | 5,000,000 | 193 | 237 |
| 5,000,001 | - | 7,000,000 | 402 | 341 |
| 7,000,001 | and | above | 428 | 321 |
| | | | **2,201** | **2,325** |

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

| | 2017 | 2016 |
|---|---|---|
| | Number | Number |
| Production | 1,657 | 1,751 |
| Supply chain | 70 | 99 |
| Sales and marketing | 318 | 331 |
| Administration | 156 | 144 |
| | **2,201** | **2,325** |

(c) Directors remuneration

Remuneration paid to directors of the Company was as follows:

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| **Fees:** | | |
| Non Executive directors | 6,100 | 6,100 |
| Executive directors | 274,431 | 188,528 |
| | **280,531** | **194,628** |

The directors' remuneration shown above includes:

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Chairman | 2,300 | 2,300 |
| Highest paid director | 104,815 | 74,145 |

Other directors received emoluments in the following ranges:

| | | 2017 | 2016 |
|---|---|---|---|
| ₦ | ₦ | Number | Number |
| - | 1,000,000 | - | - |
| 1,000,001 | 25,000,000 | 3 | 3 |
| 25,000,001 | 35,000,000 | - | - |
| Above 35,000,000 | | 2 | 3 |
| | | 5 | 6 |

**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* | 2017 | 2016 |
|---|---|---|
| ***Current tax expense*** | | |
| Current period income tax | 7,364,786 | 13,741,050 |
| Current period tertiary education tax | 742,171 | 1,259,600 |
| Reversal of over-provision of prior year tax | (220,538) | - |
| | 7,886,419 | 15,000,650 |
| **Deferred tax (credit)/expense** | | |
| Origination and reversal of temporary differences | 5,218,533 | (1,377,210) |
| **Total income tax expense** | 13,104,952 | 13,623,440 |

**Notes to the financial statements**

**(b) Current tax liabilities**

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Movement in current tax liabilities account during the year was as follows | | |
| At 1 January | 15,489,634 | 5,040,468 |
| Charge for the year | 7,886,419 | 15,000,650 |
| Payments in the year | (8,277,383) | (4,551,484) |
| At 31 December | 15,098,670 | 15,489,634 |

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

| | 2017 | 2017 | 2016 | 2016 |
|---|---|---|---|---|
| *In thousands of naira* | | | | |
| Profit for the year | | 33,723,730 | | 7,924,968 |
| Total income tax expense | | 13,104,952 | | 13,623,440 |
| Profit excluding income tax | | 46,828,682 | | 21,548,408 |
| Income tax using the Company's domestic tax rate | 30.00% | 14,048,605 | 30.00% | 6,464,522 |
| Non-deductible expenses* | 0.00% | - | 0.00% | - |
| Tax exempt income | 0.00% | - | 0.00% | - |
| Tax incentives | (0.48%) | (223,387) | (1.82%) | (391,392) |
| Recognition of previously unrecognised tax credit | (0.74%) | (348,766) | (2.14%) | (461,429) |
| Other income related taxes | 1.58% | 742,171 | 5.85% | 1,259,600 |
| Prior year (over)/under provision of CIT | (0.47%) | (220,538) | 4.33% | 932,857 |
| Tax effect of changes in pioneer tax relief status | (1.96%) | (918,550) | 27.30% | 5,883,393 |
| Other tax differences | 0.05% | 25,417 | (0.30%) | (64,111) |
| | 27.98% | 13,104,952 | 63.22% | 13,623,440 |

In 2011, the Nigerian Investment Promotion Council (NIPC) granted the Company a pioneer status for a five year period with respect to the following businesses of the Company.

I. New Flowergate factory with an effective commencement production date of 1 January 2011 and;

II. Agbara factory capacity increase projects with respect to specific products, with an effective commencement production date of 1 August 2010.

The effective commencement production dates were certified by the Industrial Inspectorate Department of the Federal Ministry of Trade and Investment on 12 October 2011. In accordance with the provisions of the Industrial Development (Income Tax Relief) Act, the Company's profit attributable to the pioneer line of business is therefore not liable to income taxes for the duration of the pioneer period.

III. The Agbara factory capacity increase pioneer status expired on 31 July 2015 while that of New Flowergate Factory expired on 31 December 2015.

**Notes to the financial statements**

**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 N33,923,131 (2016: ₦7,924,967,942) and declared dividend of N19,816 million(2016: ₦15,060,469,000) respectively and on 792,656,252 (2015: 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* | **2017** | **2016** |
|---|---|---|---|
| | | N'000 | N'000 |
| Earnings from continuing operations for the purpose of basic earnings per share | | 33,723,730 | 7,924,968 |
| Earnings from continuing operations for the purpose of diluted earnings per share | | 33,723,730 | 7,924,968 |
| | | Number ('000) | Number ('000) |
| Weighted average number of ordinary shares as at 31 December | 23 | 792,656 | 792,656 |
| Basic (Naira) | | 42.55 | 10.00 |
| Diluted (Naira) | | 42.55 | 10.00 |

(b) Diluted earnings per share of ₦42.55 (2016: ₦10.00) is based on the profit attributable to ordinary shareholders of N33,723,731 (2016: ₦7,924,968), and on the 792,656,252 (2016: 792,656,252) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue and ranking for dividend during the current and preceding years after adjustment for the effects of all dilutive Nil (2016: Nil) potential ordinary shares.

**15 Property, plant and equipment (PPE)**

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

| *In thousands of naira* | Note | Land and Buildings | Plant and Machinery | Motor Vehicles | Furniture and Fittings | IT Equipment | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 January 2016 | | 27,665,989 | 51,623,293 | 2,284,132 | 6,880,327 | 1,008,394 | 8,314,096 | 97,776,231 |
| Additions | | 374,858 | 534,285 | 406,997 | 265,801 | 40,162 | 5,445,634 | 7,067,737 |
| Disposals | | - | (161,625) | (76,321) | (40,710) | (229) | - | (278,885) |
| Transfers | | 2,998,494 | 3,184,189 | 87,651 | 426,934 | 65,426 | (6,762,694) | - |
| Balance at 31 December 2016 | | 31,039,341 | 55,180,142 | 2,702,459 | 7,532,352 | 1,113,753 | 6,997,036 | **104,565,083** |
| Balance at 1 January 2017 | | 31,039,341 | 55,180,142 | 2,702,459 | 7,532,352 | 1,113,753 | 6,997,036 | 104,565,083 |
| Additions | | 317,931 | 2,517,458 | 218,150 | 338,688 | 20,723 | 5,302,665 | 8,715,614 |
| Disposals | | - | (73,440) | (281,509) | (392,381) | (53,371) | - | (800,701) |
| Transfers | | 521,848 | 5,050,047 | 184,827 | 650,290 | 111,852 | (6,518,866) | - |
| Balance at 31 December 2017 | | 31,879,120 | 62,674,207 | 2,823,927 | 8,128,949 | 1,192,957 | 5,780,835 | **112,479,996** |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| Balance at 1 January 2016 | | 4,213,273 | 18,120,367 | 992,046 | 4,455,834 | 846,540 | - | 28,628,060 |
| Depreciation | 11 (a) | 808,296 | 3,597,885 | 454,461 | 1,011,529 | 104,169 | - | 5,976,340 |
| Disposals | | - | (98,176) | (73,250) | (39,379) | (38) | - | (210,843) |
| Balance at 31 December 2016 | | 5,021,569 | 21,620,076 | 1,373,257 | 5,427,984 | 950,671 | - | **34,393,557** |
| Balance at 1 January 2017 | | 5,021,569 | 21,620,076 | 1,373,257 | 5,427,984 | 950,671 | - | 34,393,557 |
| Depreciation | 11 (a) | 624,402 | 4,165,849 | 516,445 | 1,055,059 | 123,792 | - | 6,485,547 |
| Disposals | | - | (61,907) | (270,678) | (391,248) | (53,218) | - | (777,051) |
| Balance at 31 December 2017 | | 5,645,971 | 25,724,018 | 1,619,024 | 6,091,795 | 1,021,245 | - | **40,102,053** |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2016 | | 23,452,716 | 33,502,926 | 1,292,086 | 2,424,493 | 161,854 | 8,314,096 | **69,148,171** |
| At 31 December 2016 | | 26,017,772 | 33,560,066 | 1,329,202 | 2,104,368 | 163,082 | 6,997,036 | **70,171,526** |
| At 31 December 2017 | | 26,233,149 | 36,950,189 | 1,204,903 | 2,037,154 | 171,712 | 5,780,835 | **72,377,943** |

**Notes to the financial statements**

**(b) Independent Power Plant**

Included as part of property plant and equipment is independent power plant. The carrying amount of the independent power plant at the end of the year is presented below:

| *In thousands of naira* | **2017** | **2016** |
|---|---|---|
| Cost | 4,216,760 | 4,216,804 |
| Additions | 26,450 | - |
| Disposal during the year | - | (44) |
| Accumulated depreciation | (1,212,150) | (1,073,149) |
| Carrying amount | 3,031,060 | 3,143,611 |

**(c) Capital commitments**

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

| *In thousands of naira* | **2017** | **2016** |
|---|---|---|
| Approved and contracted | 5,097,267 | 146,703 |
| Approved but not contracted | 10,988,234 | 11,681,003 |
| | 16,085,501 | 11,827,706 |

**16 Intangible assets**

The movement on this account during the year was as follows:

| *In thousands of naira* | *Note* | Software |
|---|---|---|
| **Cost** | | |
| Balance at 1 January 2016 | | 526,950 |
| Balance at 31 December 2016 | | 526,950 |
| Balance at 1 January 2017 | | 526,950 |
| Balance at 31 December 2017 | | 526,950 |
| **Amortisation** | | |
| Balance at 1 January 2016 | | 526,950 |
| Amortisation for the year | 11 (a) | - |
| Balance at 31 December 2016 | | 526,950 |
| Balance at 1 January 2017 | | 526,950 |
| Amortisation for the year | 11 (a) | - |
| Balance at 31 December 2017 | | 526,950 |
| **Carrying amounts** | | |
| Balance at 1 January 2016 | | - |
| Balance at 31 December 2016 | | - |
| Balance at 31 December 2017 | | - |

There were no additions or disposal during the year.

**17 Long term receivables**

Long term receivables represents long-term portion of loans granted to the Company's employees, which are secured by the employees' final entitlements and retirement benefits with Nestlé Nigeria Trust (CPFA) Limited. (See Note 21)

**18 Prepayments**

Prepayment comprises:

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Rent prepaid | 524,370 | 669,120 |
| Insurance prepaid | 267,308 | 282,921 |
| Other prepayment | 1,233,668 | 759,801 |
| | **2,025,346** | **1,711,842** |

Other prepayment represents mainly infrastructural scheme paid for during the year, but for which the underlying asset will not be consumed until a future period.

**Notes to the financial statements**

## 19 Deferred tax liabilities

**Recognised deferred tax (assets)/liabilities**

Deferred tax liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 31-Dec-17 | 31-Dec-16 | 31-Dec-17 | 31-Dec-16 | 31-Dec-17 | 31-Dec-16 |
| Property, plant and equipment | - | - | 13,647,062 | 12,132,646 | 13,647,062 | 12,132,646 |
| Employee benefits | (728,295) | (435,194) | | - | (728,295) | (435,194) |
| Unrealised exchange loss | (2,479,992) | (6,493,223) | | - | (2,479,992) | (6,493,223) |
| Share based payment | (33,904) | (17,891) | | - | (33,904) | (17,891) |
| Tax (asset)/liabilities | (3,242,191) | (6,946,308) | 13,647,062 | 12,132,646 | 10,404,871 | 5,186,338 |
| **Net tax liabilities** | **(3,242,191)** | **(6,946,308)** | **13,647,062** | **12,132,646** | **10,404,871** | **5,186,338** |

**Movement in temporary differences during the year**

*In thousands of naira*

| | Balance 1 January 2016 | Recognised in profit or loss | Recognised in other comprehensive income | Balance 31 December 2016 | Recognised in profit or loss | Recognised in other comprehensive income | Balance 31 December 2017 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 8,467,622 | 3,665,024 | - | 12,132,646 | 1,514,416 | - | 13,647,062 |
| Employee benefits | (467,471) | 32,277 | - | (435,194) | (293,101) | - | (728,295) |
| Unrealised exchange difference | (1,417,313) | (5,075,910) | - | (6,493,223) | 4,013,231 | - | (2,479,992) |
| Share based payment | (19,290) | 1,399 | - | (17,891) | (16,013) | - | (33,904) |
| | **6,563,548** | **(1,377,210)** | - | **5,186,338** | **5,218,533** | - | **10,404,871** |

At 31 December 2017 (2016: Nil), there was no unrecognised deferred tax asset or liability.

**Notes to the financial statements**

## 20 Inventories

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Raw and packaging materials | 10,888,704 | 7,834,712 |
| Product in process | 1,011,414 | 564,668 |
| Finished products | 8,005,726 | 7,646,120 |
| Engineering spares | 3,910,687 | 3,103,150 |
| Goods in transit | 93,772 | 1,489,100 |
| | **23,910,303** | **20,637,750** |

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 N95.525 billion (2016: ₦75.448 billion ). In 2017, the write-down of inventories to net realisable value amounted to ₦1,413 million (2016: ₦ 288 million) and the movement is included in cost of sales.

## 21 Trade and other receivables

| *In thousands of naira* | *Note* | 2017 | 2016 |
|---|---|---|---|
| Trade receivables | 29(a)(ii) | 9,928,763 | 7,328,483 |
| Loans to key management personnel | 29 (a)(ii),32 | 39,754 | 8,417 |
| Staff loans | 29(a)(ii) | 2,361,785 | 2,089,397 |
| Trade receivables due from related parties | 32(e)(i) | 2,768,999 | 1,753,156 |
| Deposit with Company registrars for dividend | | 1,724,951 | 1,190,610 |
| **Loans and receivables** | | 16,824,252 | 12,370,063 |
| Advance payment to suppliers | | 10,380,123 | 8,513,575 |
| Deposit for Import | | 5,248,908 | 463,314 |
| Other receivables | | 898,399 | 4,366,710 |
| | | **33,351,682** | **25,713,662** |
| Non-current - reclassified to long term receivables | 17 | 1,921,232 | 1,678,251 |
| Current | | 31,430,450 | 24,035,411 |
| | | **33,351,682** | **25,713,662** |

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in Note 29.

## 22 Cash and cash equivalents

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Cash and bank balances | 11,583,410 | 4,287,186 |
| Short term investment | 3,555,444 | 47,063,966 |
| Cash and cash equivalents in the statement of financial position | 15,138,854 | 51,351,152 |
| Bank overdrafts used for cash management purposes | (3,714,087) | (154,582) |
| Cash and cash equivalents in the statement of cash flows | 11,424,767 | 51,196,570 |

The Company's exposure to credit risk for cash and cash equivalents is disclosed in Note 29.

## 23 Capital, reserves and dividends

### (a) Ordinary shares

#### (i) Authorised ordinary shares of 50k each

| *In number of shares* | 2017 | 2016 |
|---|---|---|
| At 31 December | 792,656,252 | 792,656,252 |

**Notes to the financial statements**

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

| *In number of shares* | **2017** | **2016** |
|---|---|---|
| At 31 December | 792,656,252 | 792,656,252 |
| Nominal value (In thousands of naira) | 396,328 | 396,328 |

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

**(iii) Share premium**

| *In thousands of Naira* | **2017** | **2016** |
|---|---|---|
| The premium on the 792,656,250 ordinary shares of 50 kobo each is as follows: | | |
| Share premium | 32,262 | 32,262 |

**(iv) *Share based payment reserves***

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 | **2017** | **2016** |
|---|---|---|
| At 1 January | 126,480 | 150,466 |
| Share based payment contribution | 78,832 | 85,195 |
| Share based payment recharge | (58,076) | (109,181) |
| At 31 December | **147,236** | **126,480** |

**(b) Dividends**

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

| | **2017** | | **2016** | |
|---|---|---|---|---|
| | **Per Share (₦)** | **₦'000** | **Per Share (₦)** | **₦'000** |
| Final dividend | 10 | 7,926,563 | 19.00 | 15,060,469 |
| Interim dividend | 15 | 11,889,843 | - | - |
| | 25 | 19,816,406 | 19.00 | 15,060,469 |

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

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

| | **2017** | **2016** |
|---|---|---|
| Naira per qualifying ordinary share | 27.50 | 10.00 |

**Notes to the financial statements**

**(ii) Movement in dividend payable**

| *In thousands of naira* | Notes | 2017 | 2016 |
|---|---|---|---|
| At 1 January | | 4,238,681 | 9,290,194 |
| Declared dividend | | 19,816,406 | 15,060,469 |
| Unclaimed dividend transferred to retained earnings | | (72,022) | (30,488) |
| Payments | | (11,428,504) | (20,081,494) |
| At 31 December | 28 | **12,554,561** | **4,238,681** |

As at 31 December 2017, N1.725 million (2016: N1.191 million) of the total dividend payable is held with the Company's registrar, GTL Registrars Nigeria Limited. 7.763 million represents 2017 interim dividend due to Nestle SA yet to be paid as at 31 December 2017. The balance of 3.066 million represents unclaimed dividend (2016: N3.04 billion) which was returned to the Company by the Registrar and has been invested in treasury bills.

## 24 Loans and borrowings

(a) This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For information about the Company's exposure to interest rate, foreign currency and liquidity risks, see note 29.

Loans and borrowing as at 31 December is as follows:

| *In thousands of naira* | 2017 | 2016 |
|---|---|---|
| Secured bank loans | 2,462,140 | 3,964,762 |
| Loans from related party | 18,015,770 | 46,549,954 |
| | **20,477,910** | **50,514,716** |

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

| | 2017 | 2016 |
|---|---|---|
| Current liabilities | 10,913,246 | 40,130,375 |
| Non-current liabilities | 9,564,664 | 10,384,341 |
| | **20,477,910** | **50,514,716** |

**Notes to the financial statements**

**Terms and debt repayment schedule**

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

| *In thousands of naira* | Notes | Currency | Nominal interest rate | Year of maturity | 2017 Face Value | 2017 Carrying amount | 2016 Face Value | 2016 Carrying amount |
|---|---|---|---|---|---|---|---|---|
| Loan from related party | (i) | USD | LIBOR + 4.97% | 2016 | - | - | 169,157 | 169,157 |
| Loan from related party | (i) | USD | LIBOR + 4.97% | 2017 | - | - | 13,120,392 | 13,120,392 |
| Loan from related party | (i) | USD | LIBOR + 2.7% | 2017 | - | - | 5,324,758 | 5,324,758 |
| Loan from related party | (i) | USD | LIBOR + 7.0% | 2017 | - | - | 3,156,763 | 3,156,763 |
| Loan from related party | (i) | USD | LIBOR + 7.6% | 2017 | - | - | 2,269,102 | 2,269,102 |
| Loan from related party | (i) | USD | LIBOR + 7.3% | 2017 | - | - | 3,138,606 | 3,138,606 |
| Loan from related party | (ii) | USD | LIBOR + 3.36% | 2018 | 9,797,149 | 9,797,149 | 8,288,658 | 8,288,658 |
| Loan from related party | (iii) | USD | LIBOR + 6.65% | 2017 | 2,746,620 | 2,746,620 | 11,082,518 | 11,082,518 |
| Loan from related party | (iv) | USD | LIBOR + 7.83% | 2024 | 5,472,000 | 5,472,000 | | |
| Secured bank loan | v | NGN | 7.00% | 2017 | - | - | 333,335 | 333,335 |
| Secured bank loan | (vi) | NGN | 5.50% | 2018 | 163,636 | 163,636 | 381,818 | 381,818 |
| Secured bank loan | (vii) | NGN | 10% | 2019 | 2,298,505 | 2,298,505 | 3,249,609 | 3,249,609 |
| **Total Interest bearing liabilities** | | | | | 20,477,910 | 20,477,910 | 50,514,716 | 50,514,716 |

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

(i) Two loan facilities of US $54million and US $40million which were made available to the Company in 2008 by Nestlé Treasury Centre – Middle East & Africa Limited, a Nestlé Group Company based in Dubai for general corporate purposes. Both facilities were fully drawn down as at 31 December 2010. Both loans have tenures of 7 years (inclusive of a moratorium period of 2 years on interest payments only) commencing from March 2008 and December 2008 respectively. The loans were fully repaid as at 31 December, 2017.

(ii) A loan facility of US$ 26 million which was also made available to the Company in 2011 by Nestlé Treasury Centre – Middle East & Africa Limited. The Company made a first drawdown of US$15 million in October 2011 and a final drawdown of US$11 million in March 2012 . The loan has tenure of 7 years (inclusive of a moratorium period of 2 years on interest payments only) commencing from October 2011.

**Notes to the financial statements**

(iii) A working capital loan facility of US$ 40 million was also made available to the Company in 2016 by Nestlé S.A. The loan was fully drawn down as at 31st December 2016 and USD 5.1 million was repaid in the same year. US$ 27.3 Million was repaid during the year 2017 to leave a balance of US$ 7.6 Million at year end.

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

(v) A N2.0 billion facility under the CBN Commercial Agricultural Credit Scheme (CACS) with a tenor of 7 years, commencing from July 2010. The facility is priced at 7.0%. The total facility was fully drawn down in 2011.

(vi) A N1.2 billion facility under the CBN Power and Aviation Intervention Fund (PAIF) with a tenor of 7 years, commencing from July 2011. The facility is priced at 5.5%. The total facility was fully drawn down in 2011.N218 million was repaid during the year.

(vii) A N 5.7 billion facility under the Bank of Industry (BOI) Scheme with a tenure of 7 years (inclusive of a moratorium period of 1 year on principal only) commencing from May 2013. The facility was priced at 10.0%. The facility was fully drawn down in 2013. N951 million was repaid during the year.

**(c) Fair value of government subsidised loans**

(i) The CBN Power and Aviation Intervention Fund and Bank of Industry loans were fair valued as at 31st December 2016. The fair value of the loans was N2,369,968,434 (2016: N3,445,164,523) and the resulting deferred income on the loans was N225,000,638 (2016: N345,894,643). The difference between commercial value and the fair value was not reflected in this financial statement because the directors did not consider the impact material to the financial statements.

(ii) The Commercial Agricultural Credit Scheme (CACS) loan was obtained prior to transition to International Financial Reporting Standards (IFRS). Per IFRS 1, this loan is exempted from IAS 20 and was not valued at amortised cost.

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

| | **2017** | **2016** |
|---|---|---|
| **At 1 January** | 50,514,716 | 29,639,164 |
| Addition | 4,886,800 | 7,968,000 |
| Repayment | (42,743,635) | (5,866,758) |
| Accrued Interest | 438,506 | 2,377,093 |
| Exchange loss | 7,381,523 | 16,397,217 |
| **At 31 December** | **20,477,910** | **50,514,716** |
| Analysed as follows | | |
| Current | 10,913,246 | 40,130,375 |
| Non-Current | 9,564,664 | 10,384,341 |
| | **20,477,910** | **50,514,716** |

**Notes to the financial statements**

**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* | 2017 | 2016 |
|---|---|---|
| Balance at 1 January | 2,103,744 | 2,382,213 |
| Expense/(income) for the year | 556,369 | (86,411) |
| Payments during the year | (384,192) | (192,058) |
| Balance at 31 December | **2,275,921** | **2,103,744** |

**Actuarial assumptions**

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

**Financial Assumptions**

| | 2017 | 2016 |
|---|---|---|
| Long term average Discount rate (p.a.) | 14% | 16% |
| Average Pay Increase (p.a.) | 10% | 10% |

**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 | |
|---|---|---|
| | 2017 | 2016 |
| 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 | |
|---|---|---|
| | 2017 | 2016 |
| Less than or equal to 30 | 4.0% | 4.0% |
| 31-34 | 4.0% | 3.1% |
| 35 – 39 | 3.0% | 3.0% |
| 40 – 54 | 2.0% | 2.0% |
| 55 – 59 | 1.0% | 1.0% |

Sensitivity analysis

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

| **31 December 2017** | **Employee benefit obligation** | |
|---|---|---|
| *Effect in thousands of Naira* | Increase | Decrease |
| Discount Rate (1% movement) | (128,496) | 143,195 |
| Future salary growth (1% movement) | 145,382 | (132,844) |
| Life Expectancy (1% movement) | (6,900) | 6,198 |

**(b) 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* | **2017** | **2016** |
|---|---|---|
| Balance at 1 January | 5,328 | 159,939 |
| Charged for the year | 1,988,275 | 2,064,738 |
| Payments during the year | (1,978,337) | (2,219,349) |
| Balance at 31 December | **15,266** | **5,328** |

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

**26 Share-based payments**

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 2015 | 4,795 | 3 years' service |
| Shares awarded to key management on 3 March 2016 | 4,111 | 3 years' service |
| Shares awarded to key management on 1 March 2017 | 3,442 | 3 years' service |

**Notes to the financial statements**

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 2017 is N85,215,108 (2016: N62,546,992)

Total share based payment expense recognised in the profit or loss for the year amounted to N78,832,117 (2016: N85,195,193). See Note 12.

## 27 Provisions

*In thousands of naira*

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

| | **2017** | **2016** |
|---|---|---|
| Balance at 1 January | 596,747 | 615,834 |
| Provisions made during the year | 397,997 | 73,924 |
| Provisions used during the year | (95,876) | (93,011) |
| Balance at 31 December | 898,868 | 596,747 |
| Current | 898,868 | 596,747 |
| | 898,868 | 596,747 |

**Notes to the financial statements**

### 28 Trade and other payables

| *In thousands of naira* | *Note* | 2017 | 2016 |
|---|---|---|---|
| Trade payables | | 14,209,270 | 10,638,818 |
| Other payables and accruals | | 13,245,581 | 11,173,706 |
| Trade payables due to related parties | 32(e)(i) | 9,046,212 | 38,610,891 |
| Dividend payable | 23(b)(ii) | 12,554,561 | 4,238,681 |
| | | 49,055,624 | 64,662,096 |

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

### 29 Financial instruments

**(a) Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (see (a)(ii)
- liquidity risk (see (a)(iii)
- market risk (see (a)(iv)
- operational risk (see (a)(v)

**(i) Risk management framework**

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

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

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both senior Management and the Audit Committee.

**(ii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from customers or investment in debt securities.

The Company's principal exposure to credit risk is influenced mainly by the individual characteristics of each customer.

**Notes to the financial statements**

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 National Sales Manager (NSM); these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash or prepayment basis. The Company's payment and delivery terms and conditions offered to customers provide various credit limits based on individual customers.

The Company also initiated a financing tripartite agreement with the Company's bankers and some selected customers. The objective of this agreement is to ensure consistent cash inflow from customers for goods purchased. The Company's most significant customers have been activated on this financing scheme for over two years and this has reduced losses incurred on trade receivables.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Trade and other receivables relate mainly to the Company's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the NSM, and future sales are made on a cash or prepayment basis.

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

The Company has an order approval matrix which provides guidelines for the various approval authorisation limits for customers, based on the risk grading of the customer and the percentage by which the customer exceeds his credit limit. The approval responsibility is allocated to the Financial Accounting Manager, Finance and Control Director and other Senior officials.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets represents the maximum credit exposure.

**Notes to the financial statements**

I Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

| *In thousands of naira* | *Note* | Carrying amount 2017 | 2016 |
|---|---|---|---|
| Loans and receivables | 21 | 16,824,252 | 12,370,063 |
| Cash | 22 | 15,138,854 | 51,351,152 |
| | | 31,963,106 | 63,721,215 |

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

| *In thousands of naira* | *Note* | Carrying amount 2017 | 2016 |
|---|---|---|---|
| Distributors | 21 | 9,928,763 | 7,328,483 |
| Related parties | 21 | 2,768,999 | 1,753,156 |
| Loans to key management personnel | 21 | 39,754 | 8,417 |
| Staff loans and advances | 21 | 2,361,785 | 2,089,397 |
| Registrar | 21 | 1,724,951 | 1,190,610 |
| | | 16,824,252 | 12,370,063 |

The Company's most significant customer accounts for ₦520 million of the loans and receivables carrying amount at 31 December 2017 (2016: ₦403 million).

**Notes to the financial statements**

ii Impairment losses

The aging of loans and receivables at the reporting date was:

| *In thousands of naira* | Gross 2017 | Impairment 2017 | Gross 2016 | Impairment 2016 |
|---|---|---|---|---|
| ***Not Past due (0-30 days)*** | 6,694,828 | - | 4,243,638 | - |
| ***Past due (>30 days)*** | 6,755,050 | (3,521,115) | 6,418,250 | (3,333,405) |
| | 13,449,878 | (3,521,115) | 10,661,888 | (3,333,405) |

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

| *In thousands of Naira* | 2017 | 2016 |
|---|---|---|
| Balance at 1 January | 3,333,405 | 2,688,929 |
| Prior year impairment loss reversed | (120,038) | (488,254) |
| Impairment loss recognized | 307,748 | 1,132,730 |
| Balance at 31 December | 3,521,115 | 3,333,405 |

The impairment loss as at 31 December 2017 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

Based on historical default rates, the Company believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables past due. As at the date of the approval of the financial statements.

**(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.

**Notes to the financial statements**

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

| **31 December 2017**<br>*In thousands of naira* | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 2,462,140 | 2,766,604 | (697,550) | (616,648) | (1,452,406) | - | - |
| Unsecured intercompany loans | 18,015,770 | 18,015,770 | (8,740,002) | (5,993,382) | (1,094,129) | (1,094,129) | (1,094,129) |
| Trade and other payables | 49,055,624 | 49,055,624 | (49,055,624) | - | - | - | - |
| | 69,533,534 | 69,837,998 | (58,493,176) | (6,610,030) | (2,546,535) | (1,094,129) | (1,094,129) |

| **31 December 2016**<br>*In thousands of naira* | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | 3,964,762 | 4,592,453 | (1,382,048) | (611,670) | (1,146,074) | (1,452,661) | - |
| Unsecured intercompany loans | 46,549,954 | 46,549,954 | (20,515,924) | (18,111,831) | (7,922,199) | - | - |
| Trade and other payables | 64,662,096 | 64,662,096 | (64,662,096) | - | - | - | - |
| | 115,176,812 | 115,804,503 | (86,560,068) | (18,723,501) | (9,068,273) | (1,452,661) | - |

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

**Notes to the financial statements**

**(IV) Market risk**

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

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

i Currency risk

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

The Company monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their holdings of financial instruments.

The Company manages the transactional exposures in accordance with specific principles which are in line with the Company's business needs. These include balancing the sources of financial instruments. Exchange difference recorded in the statement of comprehensive income represented a loss of N11.2 billion ( 2015: N 16.3 billion). They are allocated to the appropriate headings of expenses by function.

Financial instruments analysed by currency is as follows

- USD
- Euro Euro
- GBP Pounds Sterling
- ZAR South African Rand
- SGD Singaporean Dollar
- XOF Ivorian CFA
- CHF Swiss Franc
- JPY Japanese Yen

**Notes to the financial statements**

| | 31 December 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in thousands* | NGN | Euro | USD | CHF | XOF | ZAR | SGD | GBP | GHS | XAF |
| Unsecured intercompany loans | (2,462,141) | | (50,044) | | | | | | | |
| Amount due from related parties | 1,067,905 | 1,140 | 2,001 | 29 | | | | | | |
| Amount due to related parties | | (11,605) | (4,935) | (4,157) | - | (1,759) | (887) | (515) | (0) | (20,466) |
| Trade payables | (12,764,265) | (2,498) | - | (211) | (368,910) | (7) | | (101) | | |
| Net exposure | (14,158,501) | (12,963) | (52,978) | (4,339) | (368,910) | (1,766) | (887) | (616) | (0) | (20,466) |

| | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in thousands* | NGN | Euro | USD | CHF | XOF | ZAR | SGD | GBP | GHS | JPY |
| Unsecured intercompany loans | - | - | (144,000) | - | - | - | - | - | - | - |
| Amount due from related parties | 500,179 | 546 | 3,480 | 32 | 76,175 | - | - | - | - | - |
| Amount due to related parties | (8,013,461) | (37,583) | (54,504) | (5,922) | - | (1,914) | (492) | (180) | - | - |
| Trade payables | (8,575,892) | (4,695) | - | - | (616,665) | - | - | (345) | - | - |
| Net exposure | (16,089,174) | (41,732) | (195,024) | (5,890) | (540,490) | (1,914) | (492) | (525) | - | - |

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

| | Average rate | | Year end spot rate | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Euro | 374.01 | 269.03 | 430.33 | 320.33 |
| United states dollar (USD) | 331.00 | 251.95 | 360.00 | 304.70 |

**Notes to the financial statements**

**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 2014, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

| *Effect in thousands of Naira* | **Equity** | **Profit or loss** |
|---|---|---|
| **31 December. 2017** | | |
| Euro (10 percent strengthening) | - | 557,849 |
| USD (10 percent strengthening) | - | 1,907,223 |
| **31 December. 2016** | | |
| Euro (10 percent strengthening) | - | 1,336,801 |
| USD (10 percent strengthening) | - | 9,295,429 |

ii Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling LIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates. The Board of Directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

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

| | **Carrying Amount** | |
|---|---|---|
| *In thousands of Naira* | **2017** | **2016** |
| **Fixed rate instruments** | | |
| Financial assets | 3,555,444 | 47,063,966 |
| Financial liabilities | 2,462,140 | 3,964,762 |
| | 6,017,584 | 51,028,728 |
| **Variable rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | 18,015,770 | 46,549,954 |
| | 18,015,770 | 46,549,954 |

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.

**Notes to the financial statements**

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 2016.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100 BP increase | 100 BP decrease | 100 BP increase | 100 BP decrease |
| **31 December 2017** | | | | |
| Variable rate instruments | (180,157) | 180,157 | (180,157) | 180,157 |
| Cash flow sensitivity (net) | (180,157) | 180,157 | (180,157) | 180,157 |
| **31 December 2016** | | | | |
| Variable rate instruments | (334,297) | 334,297 | (334,297) | 334,297 |
| Cash flow sensitivity (net) | (334,297) | 334,297 | (334,297) | 334,297 |

**(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.

**Notes to the financial statements**

**(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* | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long term receivables | 1,921,232 | 1,921,232 | 1,678,251 | 1,678,251 |
| Loans and receivables | 14,903,021 | 14,903,021 | 10,691,811 | 10,691,811 |
| Cash Balance | 15,138,854 | 15,138,854 | 51,351,152 | 51,351,152 |
| | 31,963,107 | 31,963,107 | 63,721,214 | 63,721,214 |
| **Financial liabilities measured at amortized cost** | | | | |
| Unsecured intercompany loan | 18,015,770 | 18,015,770 | 46,549,954 | 46,549,954 |
| Secured bank loans | 2,462,140 | 2,462,140 | 3,964,762 | 3,964,762 |
| Bank overdraft | 3,714,087 | 3,714,087 | 154,582 | 154,582 |
| Trade and other payables | 49,055,624 | 49,055,624 | 64,662,096 | 64,662,096 |
| | 73,247,621 | 73,247,621 | 115,331,394 | 115,331,394 |

**Notes to the financial statements**

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 reasonable 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* | 2017 | 2016 |
|---|---|---|
| Total liabilities | 101,925,951 | 138,707,857 |
| Cash Balance | (15,138,854) | (51,351,152) |
| Net Debt | 86,787,097 | 87,356,705 |
| Total Equity | 44,878,177 | 30,878,075 |
| Debt to capital ratio at December 31 | 1.93 | 2.83 |

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.

**30 Operating leases**

The Company leases a number of offices, warehouse and accommodation facilities under operating leases. The leases typically run for a period of 2 to 7 years, with an option to renew the lease after that date. Lease payments are usually increased at the expiration of the lease term and consequent renewal to reflect market rentals. Advance payments outstanding in respect of these leases at year end amounts to N524 million (2016: N669 million)

During the year ended 31 December 2017 an amount of N269 million (2016: N343 million) was recognized as an expense in profit or loss in respect of operating leases. Contingent rent recognized as an expense amounted to Nil (2016: Nil).

The warehouse and head office leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Company does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Company determined that the leases are operating leases.

**Notes to the financial statements**

## 31 Contingencies

### (a) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N2.798 million as at 31 December 2017 (2016: N572.8million). While the contingent assets in respect of pending litigations amounted to N565.9 million for the year then ended (2016:N251.9million), 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 N846.5 million (2016: N3,923 million). The Company also obtained a bank guarantee with a value of N434.9 million (2016: Nil).

## 32 Related parties

### (a) Parent and ultimate controlling party

As at the year ended 31 December 2017, Nestlé Switzerland (Nestlé S.A.), the ultimate holding Company owned 66.18% (2016: 65.74%) 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 2015 for a period of three (3) years, with effect from January 1, 2015. The technical fee recognised in the current year was N9.204 billion (2016: N6.862 billion). See Note 11a and 11b.

Shared Service Agreement

Nestlé Nigeria Plc also has an agreement with Nestlé Central and West Africa Limited (Nestlé CWA) whereby Nestlé CWA provides and charges for certain common shared services to the Company at a service cost. Service cost as defined by the terms of the contract means: all direct and indirect expenses charges, overheads and administration costs reasonably incurred by Nestlé CWA from time to time during the term of the agreement in providing the shared services, plus a 4% on the reimbursable cost of Nestlé Business Services and Operational and Commercial Services as allocated among the various countries in the region. The services provided by Nestlé CWA includes transactionary services as well as planning and management functions.

Sourcing of Raw Materials and Finished Products

Additionally, the Company sources part of its raw materials and finished products through companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland.

Agency and Administration Service Agreement

Nestlé Nigeria Plc has an agreement with Cereal Partners Nigeria Limited (CPNL) for the importation, warehousing and distribution of breakfast cereal. Nestlé Nigeria Plc provides these functions to CPNL and obtains re-imbursement for all costs incurred in respect of these functions.

**Notes to the financial statements**

**(c) Transactions with key management personnel**

**Loan to key management personnel**

New loan of N51.174 million was issued to key management personnel during the year ended 31 December 2017 (2016: 9.500 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 2017, the balance outstanding was N39.754 million (2016: N8.417 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* | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | 98,195 | 76,175 |
| Contribution to compulsory pension fund scheme | 9,890 | 14,025 |
| Defined contribution gratuity scheme | 10,732 | 15,065 |
| Share based payments | 58,076 | 109,181 |
| | 176,893 | 214,446 |

**(e) Other related party transactions**

Amount due to other related companies represents balances due on current accounts maintained with companies in the Nestlé Group for the importation of Property, plant and equipment (PPE), raw materials, finished products and services. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

**(i) Intercompany payables**

| *In thousands of naira* | Nature of transaction | Transaction value Year ended 31 December | | Balance outstanding as at 31 December | |
|---|---|---|---|---|---|
| **Related Party** | | **2017** | **2016** | **2017** | **2016** |
| Nestlé Ghana Limited | Finished goods | 1,925,623 | 1,763,317 | 61,122 | 1,702,723 |
| Nestlé World Trade Corporation Limited | PPE/ Services | 5,414,430 | 4,240,050 | - | 6,048,554 |
| Nestlé Netherlands | Finished goods | 1,299,036 | 2,015,810 | 2,251,984 | 1,973,899 |
| Nestlé France Limited | Finished goods | 2,120,310 | 1,936,256 | 262,709 | 1,907,764 |
| Societe Des Produits Nestlé S.A | Services | 7,965,512 | 6,999,837 | 3,145,496 | 8,013,461 |
| Nestlé Central and West Africa | Services | 5,266,051 | 5,834,074 | 1,392,497 | 9,521,876 |
| Wyeth Nutritional Singapore | Finished Goods | 1,834,378 | 669,423 | - | 2,771,261 |
| Others | | 5,752,356 | 5,172,843 | 1,932,404 | 6,671,353 |
| | | 31,577,696 | 28,631,610 | 9,046,212 | 38,610,891 |

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. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

**Notes to the financial statements**

**(ii) Intercompany receivables**

*In thousands of naira*

| Related Party | Nature of transaction | Transaction value Year ended 31 December 2017 | 2016 | Balance outstanding as at 31 December 2017 | 2016 |
|---|---|---|---|---|---|
| Nestlé Togo | Finished goods and Services | 3,077 | 60,333 | - | - |
| Nestlé Ghana | Finished goods and Services | 2,093,226 | 1,026,537 | 582,189 | 693,990 |
| Nestlé Niger | Finished goods and Services | 297,341 | 92,255 | 116,896 | 11,528 |
| Nestlé Senegal | Finished goods and Services | 8,334 | 77,497 | - | - |
| Nestlé Cameroun | Finished goods and Services | 12,081 | 1,202 | 38,578 | 106,157 |
| Nestle Middle East | Services | - | 8,051 | 133,840 | 160,641 |
| CP Nigeria | Services | 240,633 | 220,953 | 894,990 | 284,370 |
| Others | Finished goods and Services | 1,268,072 | 1,425,785 | 1,002,506 | 496,470 |
| | | 3,922,764 | 2,912,613 | 2,768,999 | 1,753,156 |

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, 2004.

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

**33 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 2017 that has not been adequately provided for or disclosed in the financial statements.

# Other National Disclosures

## Value Added Statement

*In thousands of naira*

| | 2017 | % | 2016 | % |
|---|---|---|---|---|
| Revenue | 244,151,411 | | 181,910,977 | |
| Brought in materials and services | | | | |
| - Local | (92,341,151) | | (70,166,096) | |
| - Imported | (66,867,731) | | (46,737,337) | |
| | 84,942,529 | | 65,007,544 | |
| Finance Income | 6,239,371 | | 4,199,314 | |
| Value Added | 91,181,900 | 100 | 69,206,858 | 100 |
| Distribution of Value Added: | | | | |
| To Employees: | | | | |
| - Employees as wages and salaries and end of service benefits | 22,758,609 | 25 | 20,817,867 | 30 |
| To Providers of Finance: | | | | |
| - Finance Costs | 15,109,062 | 17 | 20,864,243 | 30 |
| - Company tax | 7,886,419 | 9 | 15,000,650 | 22 |
| Retained in the business: | | | | |
| - Depreciation of tangible assets | 6,485,547 | 7 | 5,976,340 | 9 |
| - Deferred tax | 5,218,533 | 5.72 | (1,377,210) | (2) |
| - Impairment loss on tangible assets | | | | |
| - Profit transfered to reserves | 33,723,730 | 37 | 7,924,968 | 11 |
| | 91,181,900 | 100 | 69,206,858 | 100 |

**Financial Summary**

| *In thousands of naira* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Funds Employed** | | | | | |
| Share Capital | 396,328 | 396,328 | 396,328 | 396,328 | 396,328 |
| Share Premium | 32,262 | 32,262 | 32,262 | 32,262 | 32,262 |
| Share based payment reserve | 147,236 | 126,480 | 150,466 | 44,637 | 26,585 |
| Retained Earnings | 44,302,351 | 30,323,005 | 37,428,018 | 35,466,416 | 40,139,626 |
| Shareholder's Fund | 44,878,177 | 30,878,075 | 38,007,074 | 35,939,643 | 40,594,801 |
| Current Liabilities | 79,680,495 | 121,033,434 | 59,731,857 | 44,638,052 | 33,233,095 |
| Non-current Liabilities | 22,245,456 | 17,674,423 | 21,476,122 | 25,484,372 | 34,379,584 |
| | 146,804,128 | 169,585,932 | 119,215,053 | 106,062,067 | 108,207,480 |
| **Asset Employed** | | | | | |
| Non Current assets | 72,504,953 | 97,736,155 | 70,500,367 | 68,672,737 | 66,451,672 |
| Current assets | 74,299,175 | 71,849,777 | 48,714,686 | 37,389,330 | 41,755,808 |
| | 146,804,128 | 169,585,932 | 119,215,053 | 106,062,067 | 108,207,480 |

| *In thousands of naira* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Revenue** | 244,151,411 | 181,910,977 | 151,271,526 | 143,328,982 | 133,084,076 |
| Profit before income tax | 46,828,682 | 21,548,408 | 29,322,477 | 24,445,978 | 26,047,590 |
| Profit for the year | 33,723,730 | 7,924,968 | 23,736,777 | 22,235,640 | 22,258,279 |
| Other comprehensive income, net of tax | - | - | - | - | - |
| Declared dividend* | 19,816,406 | 15,060,469 | 21,798,049 | 26,950,313 | 15,853,125 |
| Per 50k share data: | | | | | |
| Basic earnings per share | 42.55 | 10.00 | 29.95 | N28.05 | N28.08 |
| Diluted earnings per share | 42.55 | 10.00 | 29.95 | N28.05 | N28.08 |
| Declared dividend per share | 25.00 | 19.00 | 27.50 | N34.00 | N20.00 |
| Net assets per share | 56.62 | 38.96 | 47.95 | N45.34 | N51.21 |

* Declared dividend represents the interim dividend declared during the year (N13.00 and N2.00 from the balance of the pioneer profits as at 31 December 2015 and retained earnings as at 31 December 2015 respectively) and final dividend proposed for the preceding year but declared during the current year.

The financial information presented above reflects historical summaries based on International Financial