













NESCAFÉ.







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Nestlé Nigeria PLC is a leading food and beverage company in West Africa. Our purpose is to enhance the quality of life and contribute to a healthier future. We are part of the Nestlé Group that continues to deliver good food, good life for 150 years and still counting.

The company began trading operations in Nigeria in 1961 and has since grown into a leading Nutrition, Health and Wellness Company. A passion for nutrition continues to inspire our people to develop and apply scientific and nutritional know-how to deliver products that help enhance the quality of life of our consumers and those they care for.

It is with this conviction that we have been nourishing Nigeria since 1961.

Nestlé Nigeria was listed on the Nigerian Stock Exchange on April 20, 1979 and currently has over 29,000 shareholders. The company employs 2325 people and has 3 factories situated in Agbara and Sagamu both in Ogun State, and the Nestlé Waters factory, Abaji in the outskirts of Abuja. Nestlé impacts over 14,000 families across its value chain from farm to table.

In spite of the challenging business environment in 2016, Nestlé's revenue grew by 20%. This result is driven by the confidence of our loyal consumers in the quality of our brand.

Nestlé Corporate Business Principles:

Nestlé fully supports the ten principles of the United Nations Global Compact on human rights, labor, the environment and corruption and is among the first companies in Nigeria to support and advance the Global Compact principles within its sphere of influence. Nestlé recognizes that it cannot work alone and it builds partnerships to address specific social problems that arise within its value chain in its quest to create shared value for the business and society.

Our Brands and Innovation:

Our products are the focus of continuous innovation so that they meet and exceed our consumers' expectations.

Nestlé Nigeria manufactures and markets a range of high quality brands including MAGGI® Cube, MAGGI® Chicken, MAGGI® Crayfish, MAGGI® Mix'py; MILO®, CHOCOMILO®, NIDO®, GOLDEN MORN™, Nestlé PURE LIFE®, NESCAFÉ® CLASSIC. NESCAFÉ® 3-in-1: CERELAC®. NUTREND®, LACTOGEN® and NAN®, SMA® Gold First Infant Milk, SMA® Gold Follow-on Infant Milk, SMA® Progress Gold Toddler Milk and SMA® Infant Formula.

MAGGI® is a household name in Nigeria. Fortified with iodine, zinc and iron, MAGGI® contributes actively to Nestlé's commitment to help reduce micro-nutrient deficiency. MAGGI® Cube, MAGGI® Chicken, MAGGI® Crayfish and MAGGI® Mix'py are tailored to suit our local tastes and food culture.

MILO® is made from cocoa, milk and malt.

It is fortified with Activ-Go for energy release, muscle function and bone maintenance essential for physical activity in children.

GOLDEN MORN™, provides a rich source of essential nutrients such as vitamin A and iron. GOLDEN MORN™ cereals contain over 50% of locally sourced whole grains in each pack. The variety includes the recently launched GOLDEN MORN™ Millet and GOLDEN MORN™ Maize both fortified with vitamin A and iron essential nutrients. In 2016, more than 330 million GOLDEN MORN™ servings were served to Nigerian families, thereby boosting the consumption of whole grains.

Below;

Buoyed by the need to support and develop young engineering talent, Nestlé Nigeria PLC established a Technical Training Centre in our Agbara Factory, with 46 students having now completed the programme. This exciting opportunity allows selected students to be exposed to different areas such as production, quality, engineering and technology.





Creating Shared Value - Our commitment:

Creating shared value is a strategy that has enabled Nestlé to continue to create value for its shareholders as well as its communities. In driving local community development, youth empowerment and provision of good quality nutrition solutions, the CSV strategy enables us link business objectives to social impact.

We work throughout our value chain to ensure responsible sourcing and encourage practices that promote sustainability of the environment. We continue to bring significant value to our communities by sourcing our raw materials locally, creating employment, and developing young talent.

We have contributed significantly towards enhancing the quality of life through various activities and programs to promote healthy nutrition and physical activity.

Creating Shared Value - Our impact:

MILO Basketball Championship (MBC) - MILO supports grassroots sports development through the MILO Secondary Schools Basketball Championship which is in

its 19th edition. The brand works in partnership with the Nigeria School Sports Federation (NSSF), an arm of the Ministry of Education and the National Collegiate Sports Foundation (NCSF).

In 2016, more than 100,000 children participated from 8,500 secondary schools across the 36 states in Nigeria.

MILO Sports Development Program (MSDP) - MILO encourages children in school to participate in sports through the MILO Sports Development Program. With this initiative, MILO brings sports back to school, meaningfully engaging pupils to combat the pull to turn to vice.

In the last ten years, the MSDP has reached over 10 million pupils in primary schools across Nigeria, equipping them with basic sport skills, encouraging a healthy lifestyle and helping champions learn important values like determination, discipline, focus, team work and friendship.

Improving Access to Water and Sanitation - Nestlé Agbara Factory has established 3 drinking waters facilities for the communities near our factories. Nearly 300 people in the community now have better access to clean water, sanitation and hygiene, thanks to 7,117 cubic meters

of water provided in 2016. Together, our Agbara and Abaii factories provided over 7.117.500 liters of clean drinking water to their immediate communities.

Promoting entrepreneurship - Nestlé has encouraged entrepreneurship amongst women and youth through various programs including the NESCAFÉ® MYOBU which have created over 1300 jobs since 2010.

Capacity building - In support of Nigeria's drive towards building technological capability. Nestlé inaugurated a stateof-the-art Technical Training Centre (TTC) at the Agbara factory in 2011. The Centre offers an 18-month multi skilled, vocational training in machining, mechanical fitting operations, electrical operations, instrumentation operations and automation leading to the certificate examination of the London City and Guilds Technician Certificate. This program has trained 3 batches to date.

Sustainable farming practices - In 2016, 82% of the raw materials we used (excluding milk) were sourced locally. 41,600 farmers supplied maize, soybean, sorghum and millet to our factories. 15,000 farmers benefited from training on grain quality and quantity improvement delivered in partnership with International Fertilizer Development Centre (IFDC) and United States Agency for International Development (USAID).

Nestlé has partnered with institutes like the IITA, IFDC and USAID to promote sustainable farming practices while increasing quality and yield. In 2016, these programs reached over 56,000 including 2,123 youth and 1,606 women.

Gender balance and inclusion - The Company is committed to and actively promotes the inclusion of women across the value chain, from farm to fork. The Cereal plan alone has reached and trained over 1,606 women farmers. In 2017, we are expanding our CSV programs to empower more women across the agricultural and supply value chains.

Within the organization, there is a proactive effort to create an environment that allows women to develop and excel in their profession through training, empowerment programs, favorable maternity leave, flexible work hours and on-site breast feeding facilities.

...We work throughout our value chain to ensure responsible sourcing and encourage practices that promote sustainability of the environment. We continue to bring significant value to our communities by sourcing our raw materials locally, creating employment, and developing young talent.

Environmental sustainability - To further reduce our environmental footprint and ensure efficient use of energy, Nestlé Nigeria Plc built a tri-generation power plant at the Agbara factory. The plant generates electrical power, while chilled and hot water are generated using heat from the power plant's exhaust gases. This enables us to increase overall energy efficiency from 42 to 74 per cent and to reduce carbon dioxide emissions by 5,000 tons per year.

Waste water in the Agbara Factory is treated to remove chemical and biological toxic wastes to ensure the water is conducive for Aquatic life survival. The treated waste water is then discharged through the factory's fish pond to the Municipal Water Treatment facility before being finally released into the environment.

We continue to explore opportunities and partnerships to demonstrate our continued commitment to serve our consumers in Nigeria by offering them tasty and nutritious products adapted to their needs and also providing means of livelihood to a large number of Nigerians throughout our value chain.

Nestlé Nigeria's majority shareholder is Nestlé S.A. Switzerland, the largest Nutrition, Health and Wellness Company worldwide. The Company employs over 335,000 people and has 436 factories situated in 86 countries. With its historical root in nutrition, research and development competence, and skilled professionals, Nestlé is uniquely positioned to continue to contribute to the progress, prosperity, economic development and industrial growth of Nigeria.

Performance Indicators



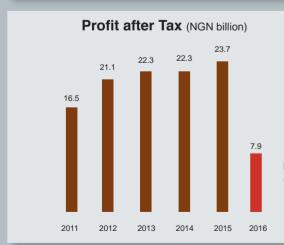
Turnover Development

- Turnover growth of 20% from 2015 to 2016
- Turnover growth of 86% over the last five years
- All Segments and Businesses with strong turnover development



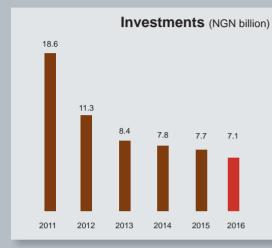
Operating Profit Development

- 13% increase in Operating Profit between 2015 and 2016 despite cost pressures
- Operating Profit growth of 78% over the last five years
- Higher investments in Marketing & Distribution to build basis for future growth



Profit After Tax Development

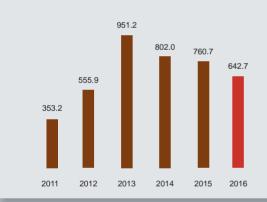
 Reduction in Profit After Tax in 2016 by -67% due to expiration of the pioneer status and revaluation of USD denominated loans.



Investments

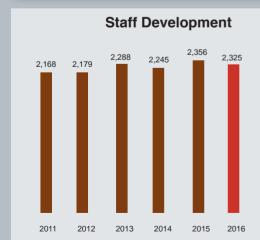
- Investments of NGN78 Bio during the last six years
- New factory in Abaji in 2016

Market Capitalization (NGN billion)



Market Capitalization Development

- Reasonable market capitalization despite the lull in the capital market



Staff Development

- Total staff strength of 2,325 at end of 2016
- Consistent annual recruitment of new employees over the last six years

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting of Nestlé Nigeria Plc will be held at the MUSON Centre, 8 / 9 Onikan, Lagos, on Tuesday, 23 May 2017 at 11 o'clock in the forenoon for the following purposes:

ORDINARY BUSINESS

- 1. To lay before the meeting the Report of the Directors, the Financial Statements for the year ended
 - 31 December 2016 and the Reports of the Auditors and the Audit Committee thereon
- 2. To declare a Dividend
- 3. To re-elect Directors
- 4. To authorize the Directors to fix the remuneration of the Auditors
- 5. To elect the members of the Audit Committee

SPECIAL BUSINESS

- 6. To fix the remuneration of Directors
- 7. To consider and pass the following resolution as an ordinary resolution of the Company:

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

NOTES

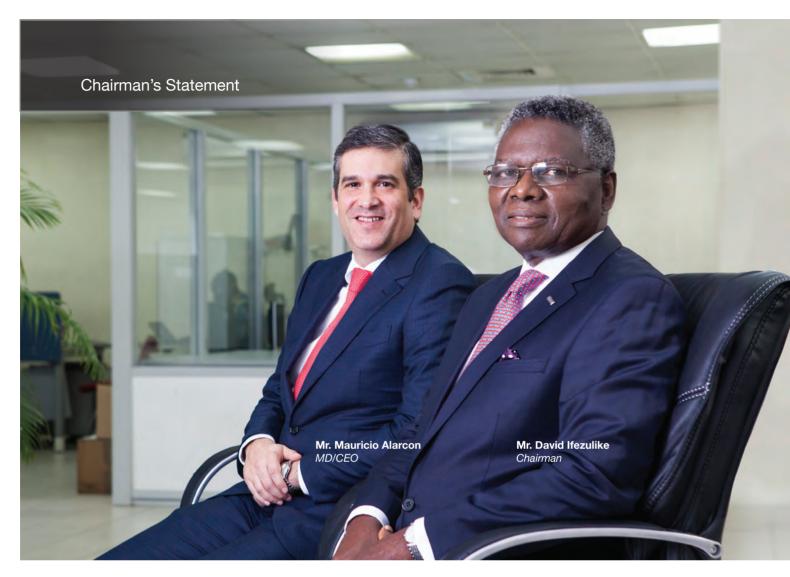
- (a) PROXY: A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed herewith. For the appointment to be valid, a completed and duly stamped proxy form must be deposited at the office of the Company's Registrars, GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos not later than 48 hours before the time of the meeting.
- (b) DIVIDEND WARRANTS AND CLOSURE OF REGISTER OF MEMBERS: The Directors have recommended the declaration of a dividend of N10.00 per share. If the Dividend recommended by the Directors is approved, dividend warrants will be posted on Wednesday, 24 May 2017 to the shareholders whose names are registered in the Company's Register of Members at the close of business on Friday, 5 May 2017. Notice is therefore hereby given that the Register of Members and Transfer Books of the Company will be closed from Monday, 8 May 2017 to Friday, 12 May 2017 (both dates inclusive) to enable the preparation and payment of dividend.
- (c) NOMINATIONS FOR THE AUDIT COMMITTEE: The Audit Committee consists of 3 Shareholders and 3 Directors. In accordance with section 359 (5) of the Companies and Allied Matters Act, CAP C.20, LFN 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving in writing, notice of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.
- (d) UNCLAIMED DIVIDEND WARRANTS AND SHARE CERTIFICATES: Several dividend warrants and share

- certificates remain unclaimed or are yet to be presented for payment or returned to the Company for revalidation. A list of such members will be circulated with the Annual Report and Financial Statements. Members affected are advised to write to or call at the office of the Company's Registrars, GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos during normal working hours.
- E-DIVIDEND / BONUS: Notice is hereby given to all shareholders to open bank accounts, stock broking accounts and CSCS accounts for the purpose of dividend/ bonus. A detachable application form for e-dividend and e-bonus is attached to the Annual Report to enable all shareholders furnish particulars of their accounts to the Registrars (GTL Registrars Limited) as soon as possible. We request our shareholders to use the e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing through the new E-Dividend Mandate Management System jointly introduced by the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria Inter-Bank Settlement Systems PLC and the Institute of Capital Market Registrars. The letter from GTL Registrars Limited explaining the new initiative is incorporated in the Annual Report and Accounts.
- (f) RIGHTS OF SECURITIES HOLDERS TO ASK QUESTIONS: Securities holders have a right to ask questions not only at the meeting, but also in writing prior to the Meeting, and such questions should be addressed to the Company Secretary and submitted to the registered office of the Company at least a week before the meeting.



Dated 28 February 2017 By Order of the Board **Bode Ayeku** Company Secretary / Legal Adviser FRC/2012/NBA/00000000637 Registered Office 22-24 Industrial Avenue, Ilupeju, LAGOS

Board of Directors:		
	Mr. David Ifezulike Mr. Dharnesh Gordon (South African) Mr. Mauricio Alarcon (Mexican) Mr. Syed Saiful Islam (Bangladeshi) Mr. Giuseppe Bonanno (Italian) Mr. Ricardo Chavez (Mexican) Mr. Kais Marzouki (German) Mr. Gbenga Oyebode Mrs. Ndidi Okonkwo Nwuneli	Chairman Managing Director/Chief Executive Officer - Resigned 30/09/2016 Managing Director/Chief Executive Officer - Appointed 1/10/2016 Finance & Control Director Non-Executive Director (Resigned 31/1/2017) Non-Executive Director (Appointed 1/2/2017) Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
Company Secretary / Legal Adviser:		
	Mr. Bode Ayeku	
Registered Office:		
	22-24 Industrial Avenue, Ilupeju, Lagos Tel: 01 – 2798184, 2798188, 2790707	
Registrars:		
	GTL Registrars Limited 274 Murtala Muhammed Way Alagomeji, Yaba, Lagos Tel: 01- 5803369, 5451399, 5803367	
Independent Auditors:		
	Akintola Williams Deloitte Civic Towers Plot GA1, Ozumba Mbadiwe Avenue Victoria Island, Lagos Nigeria Tel: +234(1)9041700	
Members of the Audit Committee:		
	Mr. Matthew Akinlade Alhaji Kazeem Owonikoko Bello Mr. Christopher Nwaguru Mrs Ndidi Okonkwo Nwuneli Mr. Giuseppe Bonanno Mr. Ricardo Chavez (Mexican) Mr. Gbenga Oyebode	Chairman Shareholders' Representative Shareholders' Representative Directors' Representative Directors' Representative (Resigned 31/1/2017) Directors' Representative (Appointed 1/2/2017) Directors' Representative



Fellow shareholders, My colleagues on the board, Gentlemen of the media, Distinguished ladies and gentlemen; It is my pleasure to welcome you to the 48th Annual General Meeting of Nestlé Nigeria Plc.

Business Environment

2016 was a particularly challenging year for our country, Nigeria. Even though it is the largest economy in the Continent, Nigeria experienced a decline of 1.7% in the Gross Domestic Product (GDP); a dramatic increase in the rate of inflation (18.55%) as at December 2016; a decline in the contribution of the oil sector to the economy and a decline in the ease of doing business rankings.

There were concerns on the other aspects critical to investors, such as the level of security, macroeconomic stability, underlying quality of institutions and infrastructure, and the strength of the financial system.

In addition to these elements, the depreciation of the Naira Operating Results against the Dollar and various restrictions in access to It is my pleasure to inform you that in spite of the

foreign exchange negatively impacted capacity utilization, revenue and the profitability of businesses operating in the country. With 40% of the value of the Nigerian All Share Index wiped off in 2016, it was one of the worst performing stock markets in 2016.

As stakeholders in the nation's economy, we welcome the government's efforts to diversify Nigeria's non-oil earnings by focussing on agriculture, solid minerals and local sourcing of raw materials for manufacturing.

Therefore, the government needs to put adequate measures in place to ensure foreign exchange availability for critical raw materials which cannot be sourced locally. It is also necessary to focus on improving the ease of doing business through regulatory reforms to lower costs, eliminate bottlenecks and improve administrative processes.



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challenging operating environment, weak consumer sentiment occasioned by rising inflation and cash crunch, our revenue increased by 20%. Notwithstanding the increase in the cost of sales due to higher material costs as a result of currency devaluation, operating profit increased by 13%. The profit after tax has been negatively impacted by the revaluation of the foreign loans due to the devaluation of the Naira.

The highlights of our operating results are on page 33 of this Annual Report and Accounts. The highlights can also be accessed on our investor website:

http://www.nestle-cwa.com/en/investors/nigeria.

Dividend

In line with the policy of making our shareholders, the ultimate beneficiaries of our business growth, the Board recommends for the consideration and approval of the shareholders at this meeting a total dividend of ₹7,926,562,520 or ₹10 per ordinary share. If the dividend is approved by the shareholders, payment will

be made on 24 May 2017, subject to the deduction of withholding tax at the applicable rate.

E-Dividend / E-Bonus and the New E-Dividend Mandate Management System (EDMMS)

Once again, it is necessary to remind our esteemed shareholders that despite our repeated requests, several shareholders are yet to collect their unclaimed dividend warrants and share certificates. It is therefore important to request the affected shareholders to complete the detachable application form for e-Dividend and e-Bonus attached to the Annual Report and Accounts, and deliver the completed form to our Registrars either at the venue of this meeting or to any of their offices nationwide. I am convinced that the collection and presentation for payment of these outstanding dividend warrants by the affected shareholders would provide the needed liquidity to address some of their pressing needs during this challenging period.

Shareholders are also required to open bank accounts, stock broking accounts and Central Securities Clearing Systems (CSCS) accounts for the e-Dividend, e-Bonus and dematerialized share certificates.

We request our shareholders to use the e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing through the new E-Dividend Mandate Management System (EDMMS) jointly introduced by the Central Bank of Nigeria, Securities and Exchange Commission (SEC), Nigeria Inter-Bank Settlement Systems PLC and the Institute of Capital Market Registrars. The letter from GTL Registrars Limited explaining the new initiative is at page 29 of the Annual Report.

The advantages of the EDMMS are that a shareholder with savings or current account can participate in the EDMMS and is free of charge within the time stipulated by SEC. In addition, shareholders can go to their Banks or any of their branches nationwide to complete the e-dividend mandate form which will be verified and stamped, before it is forwarded to the Registrar electronically. The special benefit of participating in the EDMMS is that immediately the completed e-dividend mandate form is approved by the Bank and Registrar, all outstanding dividends of the affected shareholder in the company will be automatically credited to his designated bank account.

We appeal to you to support our efforts and that of SEC to reduce the magnitude of unclaimed dividends by subscribing to the EDMMS. Your participation in the EDMMS will eliminate the delay or loss of dividend warrants.

Marketing, Sales and Product Performance

By staying focussed on the commitment to provide good quality nutrition solutions to our consumers, Nestlé brands have remained the leaders in their categories. By focussing on driving better penetration and communicating the benefits of good nutrition, our products have delivered growth in the challenging economic climate.

The fact that our sales increased by 20% in 2016 is a confirmation that our brands continue to enjoy strong patronage from consumers in spite of the inflationary pressures, weak purchasing power and the challenging operating environment. This is possible due to their nutritional benefits and contributions to the health and wellness of our consumers. We continue to invest in our brands, carry out innovation and renovation by incorporating the insights from our consumers. We ensure that our products are available in all parts of the country in order to achieve our purpose in business of enhancing quality of life and contributing to a healthier future of our consumers.

Employees

I am pleased to say that we achieved the good results in 2016 due to the dedication of our highly motivated employees. Over the years, they have been able to surmount business challenges to deliver impressive results due to their positive disposition and the mindset of ensuring that the Company maintains its leadership position in all ramifications.

In spite of the challenging operating environment, our Company employed 111 new employees in 2016 because we remain fully committed to the long-term potential of our business in Nigeria. As at 31 December 2016, the total number of employees of the Company was 2,325.

Creating Shared Value – our business strategy

Ladies and Gentlemen, dear Shareholders, Nestlé remains committed to creating shared value through the provision of good quality nutrition solutions, community development and youth empowerment. We also work throughout our value chain to ensure responsible sourcing and encourage practices that promote sustainability of the environment.

In 2016, we served our communities and consumers in Nigeria by offering them tasty and nutritious products adapted to their needs. We provided means of livelihood to a large number of Nigerians throughout our value chain by sourcing key raw materials locally, creating employment, and developing young talent.

We also provided access to clean water to our factory communities including Agbara and Abaji.

We continued to make progress on two major agricultural initiatives; The Nestlé Cereal Plan which is aimed at ensuring high quality grains by reducing Mycotoxin contamination through good farming and storage practices in partnership with International Fertilizer Development Centre (IFDC) and the Nestlé Cassava Plan in collaboration with the International Institute of Tropical Agriculture (IITA) Ibadan, aimed at increasing productivity per hectare through multiplication and dissemination of high yielding cassava varieties.

150th Anniversary of Nestlé

2016 was also a significant year for Nestlé. It was a year in which the Company celebrated 150 years of passion for nutrition which continues to inspire our people around the world, develop and apply scientific and nutritional know-how to enhance the quality of life of our consumers and those they care for.

Nestlé Nigeria celebrated this conviction which has been the driving force behind its commitment to nourishing Nigeria since 1961.

There were various celebrations including those held in the factories and attended by the representative of the wife of the President of the Federal Republic of Nigeria and the wife of the Ogun State Governor, home of our Agbara and Flowergate Factories.

Outlook for 2017

Well aware of the challenges that lie ahead, we are cautiously optimistic as we evaluate the opportunities we have to continue to build a profitable business. These opportunities include the wealth of men and women who are passionate about keeping Nestlé at the

top and the consumers' trust in the Nestlé brands that have nourished families through multiple generations. We invite you dear shareholders to continue to share this passion to continue to provide good food, good life for our consumers.

We are cautiously optimistic that with access to foreign exchange to buy critical raw materials and spare parts that are not available locally, business-friendly monetary and fiscal policies, stable power supply, improvement in the ease of doing business, overhaul of the ailing infrastructure and the provision of conducive business environment, our Company will courageously face the headwinds in 2017.

Thank you dear Shareholders, Ladies and Gentlemen.

Mr. David Ifezulike

Chairman

Corporate Governance Report 2016

Background

The priority of Nestlé Nigeria Plc (hereinafter 'Nestlé' or 'the Company') is to achieve profitable long term growth. Nestlé has policies and practices that align management of the Company with the interests of our shareholders. This brings about beneficial relationship in the long term. Nestlé believes that good Corporate Governance is a critical factor in achieving business success. The Board is fully aware of its responsibilities to shareholders and works to achieve the implementation of good Corporate Governance. The Board has put in place mechanisms that assist it to review, on a regular basis, the operations of the Company so as to ensure that our business is conducted in accordance with good Corporate Governance and global best practices.

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

Nestlé Corporate Governance Principles

Nestlé has since its commencement of business:

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

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

Local Legislations and International Recommendations

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

Nestlé complies with the mandatory provisions of the Code of Corporate Governance in Nigeria issued in 2011 by the Securities and Exchange Commission during the year under review. Also, Nestlé has in place structures and mechanisms to enhance internal control while the effectiveness of measures for achieving operational and compliance control is constantly reviewed.

The Principles

They cover four areas:

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

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

Information Policy Shareholder Relations - Guiding Principles

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

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

Methodology

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

Printed material

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

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

Future Relations with Shareholders

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

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

Communication with Stakeholders

In furtherance of our progressive stakeholder relations policy, Nestlé runs an annual business forum. The programme provides an opportunity for invited stakeholders to discuss with management of the Company its published financial results, corporate activities and the longer-term strategy of the Company.

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

Transparency in Financial Reporting and Internal Control

Nestlé produces a comprehensive Annual Report and Financial Statements in compliance with the Companies and Allied Matters Act. We put in place adequate internal control procedures and ensure that the document reviews the business and provides detailed audited financial statements, according to relevant accounting standards and regulations.

Board of Directors

The Board of Directors is the ultimate governing body of Nestlé. The Board is made up of three (3) non-executive directors including the Chairman, two (2) independent non-executive directors and two (2) executive directors. The names of all the directors are stated on page 9 of this Annual Report. The non-executive directors are independent of management and able to carry out their oversight functions in an objective and effective manner. The position of the Chairman and that of the Managing Director are occupied by different persons. All the directors have access to the advice and services of the Company Secretary.

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

The Board is responsible for the overall supervision of the Company and takes appropriate action to protect the interest of the shareholders and other stakeholders. It is responsible for the ultimate direction of the Company, in particular

the conduct, management and supervision of the business of the Company, and the provision of necessary directions; the determination of the Company's organization; compliance by the Company with the law, the Memorandum and Articles of Association, Board Regulations and instructions; any significant policy issue dealing with the Company's general structure or with financial, commercial and industrial policy, etc. The Board meets as often as necessary and on notice by the Chairman.

The following are the specific issues reserved for the Board:

- Succession planning and approval of top executive appointments
- Appointment and composition of the Board and its Committees with their terms of reference
- Approval of the strategic plans and budget of the Company
- Integrity of financial controls and reports
- Review and approval of risk management policies and internal controls
- The determination of accounting and financial control principles, as well as principles of financial planning
- Approval of interim and annual accounts
- Appropriation and distribution of profits
- Acquisitions, disposals, mergers and joint ventures
- Approval of the remuneration of executive directors
- The appointment and removal of the Chairman and the members of any committee
- Corporate governance principles and compliance with the applicable code

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

List of Board Members and attendance at meet	inas
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	Date of Meeting 14 March 2016	Date of Meeting 23 May 2016	Date of Meeting 19 August 2016	Date of Meeting 27 October 2016	Total
Mr. David Ifezulike	\checkmark	✓	\checkmark	\checkmark	4
Mr. Dharnesh Gordhon (Up to 30/9/2016)	✓	√	✓	NLAM	3
Mr. Mauricio Alarcon	NYA	NYA	NYA	AP	-
Mr. Syed Saiful Islam	✓	✓	✓	✓	4
Mr. Kais Marzouki	✓	✓	✓	✓	4
Mr. Giuseppe Bonanno	✓	✓	✓	✓	4
Mr. Gbenga Oyebode	√	\checkmark	✓	AP	3
Mrs. Ndidi Nwuneli	\checkmark	\checkmark	\checkmark	\checkmark	4

√ - Present AP -Absent with apology NYA - Not Yet Appointed **NLAM** - No Longer A Member

Board Appointment, Induction and Training **Processes**

The appointment of a new Director of the Company commences after the declaration of a vacancy by the Board. It is the responsibility of the Board to determine the required knowledge, skills, experience and competence to be possessed by the potential candidates. Thereafter, the curriculum vitae of candidates satisfying the requirements would be sourced and forwarded to the Board for scrutiny, discreet validation of character and informal interaction with the candidates. If the Board is satisfied with the information obtained. the suitable candidate would be appointed a Director of the Company and presented to the shareholders for election at the next Annual General Meeting.

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

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

Evaluation Process and Summary of Evaluation Results

The Board has established a system to undertake a formal and rigorous annual evaluation of its performance, that of its Committees, the Chairman and individual directors. The Board designed questionnaire for evaluation on areas such as the ability of the Board to fulfil its general supervisory roles, preparation of members for meetings, participation at meetings, quality of proposals made by members at meetings, performance of each committee, etc. The questionnaire for evaluation for the period ended 31 December 2016 was completed by members online and the summary of results compiled electronically.

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

Directors standing for re-election and their biographical details

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

- Mr. Mauricio Alarcon (Mexican) is the Managing Director / Chief Executive Officer of the Company. Mr. Mauricio Alarcon joined Nestlé Mexico in 1999. Following a number of Sales and Marketing assignments in the Ice Cream business, including Marketing Advisor at the Ice Cream Strategic Business Unit in 2004, he was appointed in 2007 as the Marketing Manager for the Ice Cream business in Australia. In 2010, he joined Nestlé Egypt as Business Executive Manager, Ice Cream. He was appointed the Managing Director of Nestlé Côte d'Ivoire from 2014 to September 2016 before his current appointment on 1st October 2016 as the Managing Director of the Company.
- Mr. Richardo Chavez (Mexican) is a nonexecutive director and the Head of Finance and Control of Nestlé CWA Region comprising

22 countries. Ricardo joined Nestlé Mexico in 1992 and later worked as international auditor and Market Audit Manager in Thailand and Indonesia. In 2002, he was appointed the Supply Chain Controller before his transfer to the Nestlé Group Audit. In 2010. Ricardo was appointed the Head of Finance and Control of Nestlé Equatorial African Region comprising 21 countries. In 2014, he was appointed the Head of Finance and Control Food and Beverage Division in Nestlé Greater China Region before his current appointment as the Head of Finance and Control of Nestlé CWA Region on 1st February 2017. He was appointed to the Board on 1st February 2017.

Composition of Board Committees Remuneration Committee

The Remuneration Committee is made up of three (3) non-executive directors appointed by the Board of Directors to submit recommendations on the salaries of executive directors to the Board for approval. The Committee met on 14/3/2016 and 27/10/2016 and discharged their responsibilities excellently in 2016.

The table below shows the members who served on the committee in 2016 and their attendance at meetings:

Name	Date of Meeting 14th March 2016	Date of Meeting 27 October 2016	Total
Mr. David Ifezulike	✓	✓	2
Mr. Kais Marzouki	✓	✓	2
Mr. Giuseppe Bonanno	✓	✓	2

√ Present

Creating Shared Value Committee

The Committee is to liaise with Management and advise the Board on how best to implement the Creating Shared Value initiative of the Nestlé Group in Nigeria. It is to consider and recommend to the Board the strategic implementation of Creating Shared Value. The Committee is to advise the Board on the development and evolution of our Creating Shared Value, environmental sustainability, societal objectives and strategies. Meeting of the Committee was held on 16/12/2016 and the Committee discharged their responsibilities excellently in 2016.

The table below shows the Directors who served on the Committee in 2016 and their attendance at meeting:

Name	Date of Meeting 16 December 2016	Total
Mr. Dharnesh Gordhon	NLAM	-
Mr. Mauricio Alarcon	\checkmark	1
Mrs. Ndidi Nwuneli	✓	1

√ Present

NLAM No Longer A Member

Statutory Audit Committee

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

Name	Date of Meeting 14 March 2016	Date of Meeting 28 April 2016	Date of Meeting 28 July 2016	Date of Meeting 27 October 2016	Total
Mr. Matthew Akinlade	\checkmark	\checkmark	✓	AP	3
Mr. Christopher Nwaguru	\checkmark	✓	✓	\checkmark	4
Alhaji Kazeem Owonikoko Bello	NYA	NYA	\checkmark	\checkmark	2
Mr. Giuseppe Bonanno	\checkmark	\checkmark	\checkmark	\checkmark	4
Mr. Gbenga Oyebode	\checkmark	\checkmark	\checkmark	\checkmark	4
Mrs. Ndidi Nwuneli	NYA	NYA	✓	✓	2

✓ Present

NYA Not Yet Appointed

AP -Absent with apology

Board Charter and Code of Ethics

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

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.

Human Resources Policies and other related matters

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

The Management holds periodic meetings with the employees in order to brief them on business related issues and exchange ideas that are beneficial. In addition, there is the Managing Director - Union Forum with all the key Union officers as well as top management staff, to foster greater understanding of the business and the need to realize our roles as joint stakeholders. Also, Management communicates corporate issues to employees regularly through circulars and newsletters - "Nestlé News". Nestlé has no employee share-ownership scheme.

It is the Company's policy to:

- a) Give every employee the chance of proving his or her ability in order to realize the desired career progression;
- Give equal opportunity for engagement and promotion on the basis of merit, diligence and good conduct;
- Remunerate staff based on the principle of internal equity and external comparability together with performance;
- d) Appreciate honesty, integrity and loyalty to the Company:
- e) Encourage loyalty by providing adequate job security and good conditions of work to all employees;
- f) Give every employee when necessary the opportunity to deal directly with Management and raise matters affecting his or her work for discussion and resolution;
- g) Promote joint consultation and communication in order to enable employees to have full opportunity to speak frankly with Management on matters of mutual interest;
- h) Provide a safe working environment by encouraging employees to work safely and maintain good health at all times.

Company's Sustainability policies Corruption

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

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

Creating Shared Value

The Company impacts on the community through the peculiar initiatives known as Creating Shared Value (CSV) with a special focus on Nutrition. Water and Rural Development. The Company is convinced that these initiatives will improve the livelihood of our community and make our business more competitive. Through CSV, the Company provides technical assistance to farmers to help them increase the quality and quantity of yields; rehabilitates water pumps in rural areas; embarks on school building projects; encourages the grassroots sports activities; provides edutainment that is used to promote and encourage physical activities; implements the fortification initiatives to fight malnutrition; provides job and development opportunities in order to contribute to the growth and development of Nigeria.

We initiated the Nestlé Healthy Kids program to improve nutrition, health and wellness of children aged 8-12 years; partnered with the International

Institute for Tropical Agriculture (IITA) to boost cassava starch production in Nigeria; organized training programmes for soybean farmers under the Nestlé/University of Agriculture Abeokuta Soybean Popularization Project and workshop to improve farm family health initiative for the farming community.

Corporate Governance and Integrity Committee

The Company has the Corporate Governance and Integrity Committee (CGI). The objective of the Committee is to ensure that staff and stakeholders of the company act in compliance with applicable laws and regulations, the Company's Code of Business Conduct and that staff of the Company exhibit the highest standard of ethical and moral business conduct. The Committee is made up of the senior management and other key employees of the Company.

The terms of Reference of the CGI are:

- 1. To embark on re-orientation of staff and stakeholders through trainings and education with a view to establishing a common understanding of unacceptable practices and reinforcing our corporate culture.
- 2. To launch and sustain an anti-graft campaign within the company and plug avenues for corruption "Red Flags".
- 3. To improve corporate compliance within the company and communication with our shareholders.
- 4. To establish an effective and confidential whistle blowing system for staff and external stakeholders of the company.
- 5. To promptly and transparently investigate reported concerns and improper conduct.

Environmental Protection

Nestlé Nigeria adopts a precautionary approach to environmental stewardship which enables the Company to maintain a clear vision with regard to environmental objectives. Nestlé ensures that environmental progress is efficiently coordinated so that improvements made in one area are complementary to environmental aspects in other areas. Among the key success drivers in Nestlé environmental management programme is the provision of waste water treatment facility.

When all options for water use reduction, reuse and recycling have been exhausted, the waste water that is left must be discharged to the environment. To reduce both the volume and load of the waste water, Nestlé has built a modern waste water treatment facility at Agbara factory.

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

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

HIV/AIDS

Our Company always endeavours to provide a safe and healthy working environment for its employees. The Company makes available to all employees periodically voluntary and free HIV/AIDS screening and confidential counselling sessions for them to know their status. It also provides regularly, basic HIV/AIDS training to educate the employees on its prevention, care and control. It is the policy of the Company not to discriminate against any employee on the basis of his or her HIV status. Confidentiality is fully respected and only disclosed to our company doctor.

E-Dividend

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

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

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

Independent Auditors

The Company's auditors are Akintola Williams Deloitte.

Information in respect of General Mandate

In accordance with the Rules on Transactions with Related Parties recently issued by the Nigerian Stock Exchange, the Company is seeking the renewal of the general mandate from shareholders as per item 7 on the Agenda for the Annual General Meeting slated for 23 May 2017.

The aggregate value of all transactions entered into with related companies during the financial year as stated on pages 97, 98, 99 and 100 of this Annual Report and Accounts is more than 5% of the latest net tangible assets or the issued share capital of the Company.

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

- (i) The class of interested persons with which the Company will be transacting during the next financial year are Nestlé S.A. Switzerland, its subsidiaries and associated companies;
- (ii) The transactions with the related companies are transactions of trading nature and those necessary for the day-to-day operations;
- (iii) The rationale for the transactions are that they are indispensable to the operations of the Company, cost effective and makes the products of the Company to be competitive;
- (iv) The method and procedure for determining transaction prices are based on the transfer pricing policy;
- (v) KPMG Advisory Services, the transfer pricing consultants of the Company, gave opinion based on the transfer pricing compliance exercise it earlier conducted that the method and procedure in (iv) are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to the interests of the issuer and its minority shareholders;
- (vi) The audit committee of the Company confirms that the transfer pricing method and procedure for determining the transaction prices as earlier reviewed by KPMG Advisory Services are adequate;
- (vii) The Company shall obtain a fresh mandate from shareholders if the method and procedure in become inappropriate; and
- (viii) The interested person shall abstain, and has undertaken to ensure that its associates shall abstain, from voting on the resolution approving the transaction.

Complaints Management Policy of **Nestlé Nigeria Plc** for Shareholders

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1. Preamble

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

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

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

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

2. Objective

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

3. Nestlé's Commitment

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

 Providing a platform for efficient handling of shareholder complaints and enquiries;

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

4. Procedure Shareholder Complaints/ for **Enquiries**

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

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

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

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

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

5. Complaints/Enquiries received directly by Nestlé Where a complaint or an enquiry is sent to Nestlé directly, the Company upon receipt of the complaint or enquiry, shall use its best endeavours to ensure that:

- a) relevant details of the complaint or enquiry are immediately recorded.
- b) It forwards the complaint or enquiry to the Registrar and that a response is provided by the Company or the Registrar within the time frame set out in sub-clauses (c-f) below.
- c) complaints or enquiries received by e-mail are acknowledged within two (2) working days of receipt.
- d) complaints or enquiries received by post are responded to within five (5) working days of receipt.
- e) complaints or enquiries are resolved by the Registrar or company within ten (10) working days of receipt.
- f) The Nigerian Stock Exchange is notified, within two (2) working days, of the resolution of a complaint or enquiry.
- g) where a complaint/ enquiry cannot be resolved within the stipulated time frame set out above, the shareholder shall be notified that the matter is being investigated. Delays may be experienced in some situations, including where documents need to be retrieved from storage.
- h) the same or similar medium that was used for the initial enquiry is used in providing a response (whether by email, phone, post or fax), unless otherwise notified to or agreed with the shareholder.

6. Electronic Complaints Register and Quarterly Reporting Obligations

Nestlé shall maintain an electronic complaints register.

The electronic complaints register shall include the following information:

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

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

7. Liaison with the Registrar

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

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

8. Contact Details of the Registrar

The Registrar may be contacted as follows:

GTL Registrars Limited

274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos,

P.M.B. 12717, Lagos

Apapa

P.M.B. 12717,

Lagos

Telephone: +234 1 2793161, +234 1 8131925

E-mail: info@gtlregisrars.com Website: www.gtlregistrars.com

9. Contact Details of Nestlé's Company Secretary

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

The Company Secretary/Legal Adviser Nestlé Nigeria Plc

22-24 Industrial Avenue

Ilupeju

P.M.B. 21164

Ikeia

Telephone: +234 1 2798184; +234 1 2798188 E-mail: shareholders.enquiries@ng.nestle.com Website:www.nestle-cwa.com/en/investors/nigeria

Website: www.qtlregistrars.com

10. Shareholder Access to this Policy

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

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

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

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

11. Fees and Charges

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

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

12. Amendment/Review of this Policy

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

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

Approved by:

Managing Director/ **Chief Executive Officer**

Company Secretary/ Legal Adviser



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

As a part of the ongoing collaborative efforts of stakeholders in the Financial industry to ensure that the e-dividend payment process is embraced by all, the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria InterBank Settlement System (NIBSS) and the Institute of Capital Market Registrars (ICMR) have successfully developed an e-dividend payment portal that will serve as an on-line verification and communication medium for e-dividend mandate processing.

The portal is a web-based application that can be assessed by every branch of all Banks and by all Registrars. The following are the unique features/advantages for the new process;

- Shareholders can go to their Bank or any of their Bank branches nationwide to complete an e-dividend mandate form and this will be verified and stamped by the Bank and forwarded electronically to the Registrar.
- 2. Data relating to shareholders who are yet to provide their Bank details to Registrars has been preloaded unto the portal by NIBSS so as to allow the Bank verify shareholders' details on-line when they complete e-dividend forms.
- 3. Completed forms that have been verified by the Bank will be forwarded electronically to the relevant Registrars via the portal.
- 4. Confirmation of forms and other correspondence between the Registrar and the Bank as may be required will be done via the portal.
- 5. Shareholders do not have to come to the Registrar's Office to submit e-dividend forms anymore.

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

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

Kindly visit your Bank or any of GTL Registrar's offices nationwide as stated below and our website www. gtlregistrars.com for more details.

Thank you

Head Office

274 Murtala Muhammed Way Yaba P.M.B 12717 Apapa Lagos. Tel: +234-(0)1-2917747, +234-(0)1-2793160-2 Email: info@gtlregistrars.com

South-West IBADAN, OYO STATE

Omoor House
Opposite Palms Shopping Mall
Ring Road
P.M.B 5338 Ibadan
Oyo State.
Tel: 08159594384
Email: osajala@gtlregistrars.com

South East OWERRI, IMO STATE

South-South

Port Harcourt

Rivers State.

No 26 Aba Road

Tel: 08159594386

5 Forestry Road

Tel: 08159594382

PORT HARCOURT, RIVERS STATE

Email: chalim@gtlregistrars.com

Email: aaghedo@gtlregistrars.com

BENIN CITY, EDO STATE

P.M.B 1001 Benin City

Union Bank Building Owerri-Port Harcourt Road Owerri, Imo State. Tel: 08159594388 Email: venduka@gtlregistrars.com

North West KANO, KANO STATE

ts Floor 37 Niger/ Muritala Mohammed Way
P.M.B 3007 Kano
Kano State.
Tel: 08159594383
Email: hmbello@gtlregistrars.com

FCT Abuja

Coscharis Center, 4th Floor Plot 388 Central Business District Area P.M.B 35 Garki, Abuja. Tel: 08159594278 or 08159594379 Email: msmarshall@gtlregistrars.com or joaina@gtlregistrars.com

Board of Directors

as at year ending 31 December 2016



1. Mr David Ifezulike (Nigerian) Chairman

is the non-executive Chairman of the Board of Directors of Nestlé Nigeria Plc. He holds a Master of Science degree in Management Science and a Diploma of Imperial College. He joined Nestlé in 1980 and worked for over 26 years in various capacities and locations including Nigeria, Malaysia, Zimbabwe, Switzerland and Ghana. Mr Ifezulike was on international exchange programme as the Factory Manager of Nestlé Ghana between May 1999 and April 2003. He retired from Nestlé Nigeria Plc as the Executive Director, Industrial Development in October 2006.

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

2. Mr. Mauricio Alarcon (Mexican) Managing Director

is the Managing Director / Chief Executive Officer of the Company. Mr. Mauricio Alarcon is an Engineer and a Member of the Nigerian Institute of Management. He joined Nestlé Mexico in 1999. Following a number of Sales

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

3. Mr Syed Saiful Islam (Bangladeshi)

is the Finance and Control Director of the Company. He is a Chartered Accountant and holds a Master of Commerce in Finance and Banking. He joined Nestlé Bangladesh in 1999 as Financial Accounting Manager. In 2000, he moved to Nestlé India as Financial Planning Manager and later Delhi Sales Branch Controller. In 2006, he returned to Nestlé Bangladesh as Corporate Controller and then

4. Mr Kais Marzouki (German)

is a non-executive director of the Company and the Head of Nestlé Central and West Africa (CWA) Region comprising 22 countries. He holds a European Master's in Management degree and joined Nestlé Group in 1995. He held various positions including General Business Manager for Jordan and Lebanon in 2001 and 2003 respectively; Regional Sales Director for Southern and Eastern African Region from 2005 to 2008; Global Channel Category Manager, SBU-Food of Nestlé S.A. from 2008 to 2009; Regional Sales Director for Nestlé Oceania



Region from 2009 to 2011; Business Executive Manager Coffee and Beverages from 2011 to July 2013 before his current appointment as Head of CWA Region. He was appointed to the Board on 1 August 2013.

5. Mr. Ricardo Chavez (Mexican)

is a non-executive director and the Head of Finance and Control of Nestlé CWA Region comprising 22 countries. Ricardo joined Nestlé Mexico in 1992 and spent many years as international auditor and Market Audit Manager in Thailand and Indonesia. In 2002, he was appointed the Supply Chain Controller before moving back to Nestlé Group Audit as Manager. In 2010, Ricardo was promoted to the position of Head of Finance and Control of Nestlé Equatorial African Region comprising 21 countries. In 2014, he was appointed the Head of Finance and Control Food and Beverage Division of Nestlé Greater China Region before his current appointment as the Head of Finance and Control of Nestlé CWA Region on 1st February 2017. He was appointed to the Board on 1st February 2017.

6. Mr Gbenga Oyebode (MFR) (Nigerian)

is an independent non-executive director of the Company. He qualified as a Solicitor and Advocate of the Supreme Court of Nigeria in 1980. He holds a Master of Laws degree and is the Managing Partner of Aluko & Oyebode & Co. He is a Fellow of the Chartered Institute of Arbitrators (UK) and the Nigerian Leadership Initiative. He is the Chairman of Okomu Oil Palm Plc and a non-executive director of MTN Nigeria Limited. He is on the Africa Advisory Committee of the Johannesburg Stock Exchange. He was appointed to the Board on 24 February 2014.

7. Mrs Ndidi Nwuneli (MFR) (Nigerian)

is an independent non-executive director of the Company. She holds a Master in Business Administration. She worked with McKinsey & Company as a Business Analyst and Associate in Chicago and South Africa before she joined the FATE Foundation as pioneer Executive Director in 2000. She is the Founder of Leadership, Effectiveness, Accountability and Professional (LEAP) Africa and was the

CEO for six years before joining Sahel Capital Partners & Advisory. She is the Co-Founder and Director of AACE Food Processing and Distribution Limited. She was appointed to the Board of the Company on 24 February 2014.

8. Mr Bode Ayeku (Nigerian)

is the Company Secretary / Legal Adviser of the Company. He qualified as a Solicitor and Advocate of the Supreme Court of Nigeria in 1992 and holds a Master of Laws degree. He joined the Company in October 2005 as the Deputy Company Secretary. He is a Fellow of the Institute of Chartered Secretaries and Administrators in Nigeria and United Kingdom. He is a member of Council of the Institute in Nigeria and the Chairman of the Corporate Members Committee. He is a member of the Governing Council of the Nigeria Employers' Consultative Association (NECA) and the Chairman of the Committee of Legal Advisers and Company Secretaries of NECA.

Nestlé Nigeria Plc Financial Statements

For the year ended 31 December 2016, together with

Financial Highlights

For the year ended 31 December 2016

In thousands of naira	2016	2015	Increase/ (decrease) %
Revenue	181,910,977	151,271,526	20%
Profit before income tax	21,548,408	29,322,477	(27)%
Profit for the year	7,924,968	23,736,777	(67)%
Declared dividend*	15,060,469	21,798,049	(31)%
Share capital	396,328	396,328	0%
Total equity	30,878,075	38,007,074	(19)%
Data per 50k share			
Basic earnings	№ 10.00	N 29.95	
Declared dividend	₩ 19.00	N 27.50	
Net assets	₩38.96	N 47.95	
Dividend per 50k share in respect of current year results only			
Interim dividend declared	-	N 10.00	
Final dividend proposed**	₩ 10.00	N 19.00	
Stock Exchange Information			
Stock exchange quotation at 31 December			
in Naira per share	№ 810.00	₩860.00	(6)%
Number of shares issued ('000)	792,656	792,656	0%
Market capitalisation at 31 December (₩: million)	642,052	760,712	(16)%

^{*} Declared dividend represents the interim dividend declared during the year and final dividend proposed for the preceding year but declared during the current year. No interim dividend was declared in 2016.

^{**} The directors proposed a final dividend of \$\frac{10.00}{15.00}\$ (2015: \$\frac{10.00}{15.00}\$) per share on the issued share capital of 792,656,252 (2015:792,656,252) ordinary shares of 50k each, subject to approval by the shareholders at the Annual General Meeting.

Directors' Reports

For the year ended 31 December 2016

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 2016.

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:

	2016 N'000	2015 N'000
Revenue	181,910,977	151,271,526
Results from operating activities	38,213,337	33,747,243
Profit before income tax	21,548,408	29,322,477
Profit for the year	7,924,968	23,736,777
Total comprehensive income for the year	7,924,968	23,736,777

4 Dividend

The directors recommend the payment of a dividend of N10.00 (2015:N29.00) per share on the issued share capital of 792,656,252 (2015:792,656,252) ordinary shares of 50k each. If the proposed dividend of N10.00 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) 2016		the Ordinary the Company 2015
Mr. David Ifezulike - Chairman		56,255	56,255
Mr. Dharnesh Gordhon (South African) - MD/CEO	(30/09/2016)	Nil	Nil
Mr. Mauricio Alarcon (Mexican) - MD/CEO	1/10/2016	Nil	Nil
Mr. Syed Saiful Islam (Bangladeshi)		1,610	1,100
Mr. Giuseppe Bonanno (Italian)	(31/01/2017)	Nil	Nil
Mr. Kais Marzouki (German)		Nil	Nil
Mr. Ricardo Chavez (Mexican)	1/2/2017	Nil	Nil
Mrs. Ndidi Okonkwo Nwuneli		Nil	Nil
Mr. Gbenga Oyebode		Nil	Nil

Directors' Reports (contd.)

- (b) Mr. Gbenga Oyebode, was the Non-Executive Chairman of Access Bank Plc, one of the Company's bankers. 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 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.

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 2016 is available at the Annual General Meeting for inspection.

7 Analysis of Shareholdings

			Number of shareholders	%	Number of shares	%
1	-	1,000	18,335	62.453	5,645,957	0.71
1,001	-	5,000	7,430	25.308	17,121,529	2.16
5,001	-	10,000	1,782	6.070	12,217,561	1.54
10,001	-	50,000	1,436	4.891	28,285,477	3.57
50,001	-	100,000	176	0.599	12,031,280	1.52
100,001	-	500,000	143	0.487	30,349,814	3.83
500,001	-	1,000,000	21	0.072	15,553,481	1.96
1,000,001		and above	34	0.116	150,388,282	18.97
			29,357	99.997	271,593,381	34.26
Nestlé S.A,	Switz	erland *	1	0.003	521,062,869	65.74
			29,358	100	792,656,252	100

^{*}Apart from Nestlé S.A, Switzerland, with 521,062,869 ordinary shares (representing 65.74%) and Stanbic IBTC Nominees Limited with 7.34%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2016.

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 N8,778,000 (2015: N47,191,259) and analysed as follows:

	2016 N'000
Construction of a water fountain for safe drinking water supply to the local community in Abaji	5,878
Product donation to Internally Displaced Persons (IDP) Camps via the United Nations Coordinating office for Humanitarian affairs	2,000
Donation of a water tank to the Nigerian Police Special Fraud Unit	500
Donation to the Institute of Chartered Secretaries and Administrators of Nigeria	400
	8,778

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.

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 118 of the annual report and financial statement.

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

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 14 (2015: 17) physically challenged persons in its employment as at 31 December 2016.

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

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

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

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

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

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, the first batch of our technicians admitted into the Technical Training Centre (TTC) in Agbara in 2011 for the 18 months multi-skill engineering training graduated on 12 July 2013, the second batch of technicians graduated in July 2015 and the third batch of twenty (20) technicians graduated in February 2017 bringing the total number of those who have so far completed the programme to forty-six (46). The cost of the training was fully paid by our Company.

The content of the course was based on the syllabus of the Technician Examinations Certificate of City and Guilds of London, 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 and thirteen (13) graduates from the second batch were given immediate employment by our Company. The other graduates are in full time employment with other organizations.

Directors' Reports (contd.)

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 schedule.

17 Remuneration Committee

The remuneration committee, which consists of three directors namely Mr. David Ifezulike, Mr. Giuseppe Bonanno and Mr. Kais Marzouki, 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 2016. 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. Giuseppe Bonanno	Directors' Representative -Resigned 31/1/2017
Mr. Ricardo Chavez	Directors' Representative -Appointed 1/2/2017

19 Creating Shared Value Committee

The Committee is to liaise with Management and advise the Board on how best to implement the Creating Shared Value initiative of the Nestlé Group in Nigeria. It is to consider and recommend to the Board the strategic implementation of Creating Shared Value. The Committee is to advise the Board on the development and evolution of our Creating Shared Value, environmental sustainability, societal objectives and strategies. Messrs. Gordhon, Alarcon and Mrs. Nwuneli 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	umers Human Rights & Labour Practices		Our People Suppliers and Customers		The Env	rironment		
1	2	3	4	5	6	7	8	9	10
Nutrition, Health and Wellness	Quality assurance and product safety	Consumer Communi- cation	Human Rights & Labour Practices in our business activities	Leader- ship and personal responsi- bility	Safety and health at work	Suppliers and Customers relations	Agriculture and rural development	Environmental sustainability	Water

(a) Nutrition, Health and Wellness

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

(b) Quality Assurance and Product Safety

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

(c) Consumer Communication

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

(d) Human Rights in Our Business Activities

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

(e) Leadership and Personal Responsibility

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

The long-term success of the Company depends on its capacity to attract, retain and develop employees 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 employee was involved in any major industrial accident during the period under review. 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.

(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.

(i) 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 2016, the staff strength of the Company was 2,325 (2015: 2,356). Our employees are made up of male and female from all 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 18 (2015: 21) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland, Senegal, Kenya and Cameroun 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.

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 2016

In recognition of its exceptional contribution to industrial development, the Company was awarded the Organizational Excellence Award by the Nigerian Institute of Industrial Engineers.

The Company was also awarded the Best Company in the Manufacturing Sector with the Best Risk Management Culture by the Risk Managers Society of Nigeria and noticed for its high standard in food manufacturing by the Lagos Chamber of Commerce and Industry.

The other awards received by the Company in 2016 include:

- Advan Awards- 2nd place Consumer promotion of the year with Building Champs Promo
- Advan Awards 3rd place Experiential Marketing with MILO® Basketball Championship
- Kantar World Panel 5th Most Chosen brand in Nigeria.

The Kantar/Milward Brown Team gave MAGGI awards in two categories:

- Best equity in seasoning cube category
- 4th most often used brand
- Postmaster-General Special Award by Bulkpost Ventures

25 Independent Auditors

The firm of Akintola Williams Deloitte 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.



Statements of Directors' Responsibility

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 2016, 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 2016 were approved by directors on 28 February, 2017

Signed on behalf of the Directors of the Company:

David Ifezulike

(Chairman)

FRC/2013/NIM/0000003355

colle

28 February 2017

Mauricio Alarcon

(Managing Director)

FRC/2017/NIM/0000016043

28 February 2017

Syed Saiful Islam

(Finance & Control Director)

FRC/2015/ANAN/00000013195

28 February 2017



For the year ended 31 December 2016



Nestlé Nigeria Plc

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

Telephones: 01 2798184, 2798188, 2790707

Fax: 01 4963033, 2715701

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 Auditors Report for the year ended 31 December 2016.

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. Akintola Williams Deloitte (Chartered Accountants), Management and staff of the Company in performing our duties.

Dated this 28th day of February, 2017. Lagos, Nigeria

Matthew Akinlade

998%

Chairman, Audit Committee. FRC/2013/ICAN 00000002111

Members: Mr. Matthew Akinlade (Chairman), Alhaji Kazeem Owonikoko Bello, Mr. Christopher Nwaguru, Mrs. Ndidi Okonkwo Nwuneli, Mr. Gbenga Oyebode, Mr. Ricardo Chavez (Mexican)



P.O. Box 965 Marina Lagos Nigeria

Akintola Williams Deloitte Civic Towers, Plot GA 1, Ozumba Mbadiwe Avenue Victoria Island, Lagos, Nigeria

Phone: +234 1 904 1700 www.deloitte.com.ng

Independent Auditor's Report to the Shareholders of Nestlé Nigeria Plc

We have audited the accompanying financial statements of Nestlé Nigeria Plc which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows 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 2016 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.

List of partners and partner equivalents available on the web site. Associate of Deloitte Africa, a Member of Deloitte Touché Tohmatsu Limited.

Key Audit Matter

How the matter was addressed in the audit

Revenue recognition

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer. Based on the agreement the Company entered with the distributors, Risk in the Products to be delivered by Nestlé shall pass to the Distributor at the time the truck carrying the Products to the Distributor leaves the Distribution Centre of Nestlé notwithstanding that the Distributor has not physically received the products or, in case of Products to be collected by the Distributor at Nestlé's premises, at the time when the Distributor starts the loading of the Products ordered. However, the title in the Products sold and delivered or in transit will not pass to the Distributor until the Company has received payment in full of the price of those Products.

Going by the above, revenue being the key performance driver could easily be used to boost Company's performance through recognition of revenue from goods which the Company still retains significant risks and rewards.

The revenue recognition policy is disclosed on Note 3(L), and revenue is disclosed in Notes 9.

Our audit procedures incorporated a combination of test of the Company's controls relating to revenue recognition and substantive procedures in respect of revenue with a significant risk of material misstatement on occurrence of sales in the financial period. Our substantive procedures to address this risk included the following:

- Obtained the monthly sales analysis and agreed the total to the general ledger
- Performed month-by-month analysis of sales to analyse sales for possible significant fluctuations in monthly trend analysis to understand the sales pattern and sales peak and off-peak season. Investigated all significant fluctuations identified.
- Made selections from the sales recorded in the current year and obtained related sales invoices delivery notes signed and acknowledged by customers.
- Reviewed customers' acknowledged invoices and delivery notes to confirm occurrence of recorded sales.

We found the operation of the controls relating to revenue recognition to be effective. Our substantive testing did not reveal any material misstatements.

Independent Auditor's Report (contd.)

Current and deferred tax

There are various complexities relating to the treatment and recognition of current and deferred tax, in particular:

- 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.
- The Company obtained pioneer status (i.e tax exception) for two of the company's factories; Agbara and Flowergate factories which expired in 31 July 2015 and 31 December 2015 respectively. The estimation of the related taxes on profits from factories with expired pioneer status few year after expiration, is complex and involves some assumptions.

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.

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; expired pioneer status, allowable and disallowable expense and income and assumptions used by management in determination current and deferred taxes.

We reviewed the data used by management in determination of current and deferred taxes and agreed them to audited numbers.

We concurred with the management's determination of the estimated manner in which timing differences will be realised.

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.

Our audit testing, including the review carried out by tax specialist did not reveal any material misstatements.

List of partners and partner equivalents available on the web site. Associate of Deloitte Africa, a Member of Deloitte Touché Tohmatsu Limited.

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.

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.

Independent Auditor's Report (contd.)

- 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.

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:

- We have obtained all the information and explanation which to the best of our knowledge and believe were necessary for the purpose of
- ii) The Company has kept proper books of account. so far as appears from our examination of those
- 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

The engagement partner on the audit resulting in this independent auditor's report is Michael Osinloye.

Michael Osinlove ACA

FRC/2013/ICAN/00000000819 For: Akintola Williams Deloitte Chartered Accountants Lagos, Nigeria

28 February 2017



List of partners and partner equivalents available on the web site. Associate of Deloitte Africa, a Member of Deloitte Touché Tohmatsu Limited.

Statement of Profit or loss and Comprehensive Income

In thousands of naira	Notes	2016	2015
Revenue	9	181,910,977	151,271,526
Cost of sales	11	(106,583,385)	(83,925,957)
Gross Profit		75,327,592	67,345,569
Marketing and distribution expenses	11	(28,775,263)	(25,904,586)
Administrative expenses	11	(8,338,992)	(7,693,740)
Results from operating activities		38,213,337	33,747,243
Finance income		4,199,314	443,805
Finance costs		(20,864,243)	(4,868,571)
Net finance cost	10	(16,664,929)	(4,424,766)
Profit before income tax		21,548,408	29,322,477
Income tax expense	13(a)	(13,623,440)	(5,585,700)
Profit for the year		7,924,968	23,736,777
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		7,924,968	23,736,777
Profit for the year is attributable to:			
Owners of the company		7,924,968	23,736,777
Total comprehensive income for the year is attribute	able to:		
Owners of the company		7,924,968	23,736,777
Earnings per share		₩	₩-
Basic earnings per share	14 (a)	10.00	29.95
Diluted earnings per share	14 (b)	10.00	29.95

Statement of Financial Position

In thousands of naira	Notes	2016	2015
Assets			
Property, plant and equipment	15	70,171,526	69,148,171
Long term receivables	17	1,678,251	1,352,196
Total non-current assets		71,849,777	70,500,367
Inventories	20	20,637,750	10,813,960
Trade and other receivables	21	24,035,411	24,445,995
Prepayments	18	1,711,842	525,205
Cash and cash equivalents	22	51,351,152	12,929,526
Total current assets		97,736,155	48,714,686
Total assets		169,585,932	119,215,053
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)	126,480	150,466
Retained earnings		30,323,005	37,428,018
Total Equity		30,878,075	38,007,074
Liabilities			· · · ·
Loans and borrowings	24	10,384,341	12,530,361
Employee benefits	25	2,103,744	2,382,213
Deferred tax liabilities	19	5,186,338	6,563,548
Total non- current liabilities		17,674,423	21,476,122
Bank Overdraft	22	154,582	305,024
Current tax liabilities	13(b)	15,489,634	5,040,468
Loans and borrowings	24	40,130,375	17,108,803
Trade and other payables	28	64,662,096	36,661,728
Provisions	27	596,747	615,834
Total current liabilities		121,033,434	59,731,857
Total liabilities		138,707,857	81,207,979
Total equity and liabilities		169,585,932	119,215,053

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

David Ifezulike

(Chairman) FRC/2013/NIM/0000003355 Mauricio Alarcon/

(Managing Director) FRC/2017/NIM/00000016043 Syed Saiful Islam

(Finance & Control Director) FRC/2015/ANAN/00000013195

Statement of Changes in Equity

		capital	Premium	Share based payment reserve	Retained earnings	Tota equity
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
Other comprehensive income		-	-	-	-	
Total comprehensive income		-	-	-	7,924,968	7,924,968
Transactions with owners, recorde	d directly in	n 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
Balance at 1 January 2015		396,328	32,262	44,637	35,466,416	35,939,643
Profit for the year						
Profit or loss		-	-	-	23,736,777	23,736,777
Total comprehensive income		-	-		23,736,777	23,736,777
Transactions with owners, recorde	ed directly in	n equity				
Dividend to equity holders	23 (b)(i)	-	_	_	(21,798,049)	(21,798,049)
Unclaimed dividend written back	23 (b)(ii)	-	-	-	22,874	22,874
Share based payment contribution	23(a) (iv)	-	-	170,128	-	170,128
Share based payment recharge		-	-	(64,299)	-	(64,299

Statement of Cash Flows

In thousands of naira	Notes	2016	2015
Profit for the year		7,924,968	23,736,777
Adjustments for:			
Depreciation	15	5,976,340	5,933,051
Amortisation of intangible assets	16	-	-
Impairment loss on property, plant and equipment	11(b)	-	-
Net loss on foreign exchange transactions	10	16,286,926	1,758,825
Net finance cost		378,003	2,665,941
Equity settled share based payment transactions	26	85,195	170,128
Provisions for other long term employee benefits	25(a)	(86,411)	794,704
Loss on sale of property, plant and equipment	40/)	42,213	106,148
Income tax expense	13(a)	13,623,440	5,585,700
		44,230,674	40,751,274
Changes in long term receivables		(326,055)	(194,313)
Change in inventories		(9,823,790)	142,050
Change in trade and other receivables		410,585	(2,115,182)
Change in prepayments		(1,186,637)	(127,203)
Change in trade and other payables (excluding dividend	payable)	33,051,880	4,375,486
Changes in provisions		(19,087)	81,026
Cash generated from operating activities		66,337,570	42,913,138
Income tax paid	13 (b)	(4,551,484)	(2,731,139)
Other long term employee benefit paid	25(a)	(192,058)	(240,264)
Share based payment recharge paid	20(0)	(109,181)	(64,299)
Net cash flows from operating activities		61,484,847	
out in the in one operating activities		01,404,041	39,877,436
		01,404,047	39,877,436
Cash flows from investing activities	40		
Cash flows from investing activities Finance income	10	4,199,314	443,805
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment		4,199,314 25,829	443,805 53,915
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment	10 15	4,199,314	443,805
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment		4,199,314 25,829	443,805 53,915
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities		4,199,314 25,829 (7,067,737)	443,805 53,915 (7,726,431)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities		4,199,314 25,829 (7,067,737) (2,842,594)	443,805 53,915 (7,726,431)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities		4,199,314 25,829 (7,067,737)	443,805 53,915 (7,726,431) (7,228,711)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan		4,199,314 25,829 (7,067,737) (2,842,594)	443,805 53,915 (7,726,431) (7,228,711)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan		4,199,314 25,829 (7,067,737) (2,842,594)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan		4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan Change in import finance loan Finance cost paid	15	4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138) (1,502,620) - (2,089,933)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000 - (17,002,621) - (2,842,789)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan Change in import finance loan Finance cost paid		4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138) (1,502,620)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000 - (17,002,621) - (2,842,789)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan Change in import finance loan Finance cost paid Dividends paid	15	4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138) (1,502,620) - (2,089,933) (20,081,494)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000 - (17,002,621) - (2,842,789) (16,145,712)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan	15	4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138) (1,502,620) - (2,089,933)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000 - (17,002,621)
Cash flows from investing activities Finance income Proceeds from sale of property, plant and equipment Acquisition of property, plant and equipment Net cash used in investing activities Cash flows from financing activities Proceeds from loans obtained Intercompany loan Bank loan Repayments of borrowings Intercompany loan Bank loan Change in import finance loan Finance cost paid Dividends paid Net cash used in financing activities	15	4,199,314 25,829 (7,067,737) (2,842,594) 7,968,000 - (4,364,138) (1,502,620) - (2,089,933) (20,081,494) (20,070,185)	443,805 53,915 (7,726,431) (7,228,711) - 13,500,000 - (17,002,621) - (2,842,789) (16,145,712) (22,491,122)

Notes to the Financial Statements

For the year ended 31 December 2016

1	Reporting entity	57	17	Long term receivables	79
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3	Significant accounting policies	57	19	Deferred tax assets and liabilities	80
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6	Critical accounting judgement and key sources of estimation uncertainty	70	23	Capital, reserves and dividends	82
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10	Net finance costs	73			
11	Profit before income tax	73	28	Trade and other payables	87
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	· ·		30	Operating leases	97
13	Taxation	76	31	Contingencies	97
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Notes to the financial statements

For the year ended 31 December 2016

1 Reporting entity

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

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

2 Basis of accounting

(a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's Board of Directors on 28 February 2017.

(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 1st 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.

	Page Number
a) Foreign currency transactions	58
b) Financial instruments	58
c) Property, plant and equipment	59
d) Intangible assets	60
e) Leased assets	60
f) Inventories	60
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k) Statement of cash flows	64
I) Revenue	64
m) Advance payment to contractors	64
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p) Earnings per share	65
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a) Foreign currency transactions

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

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.

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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.

II. Subsequent costs

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

III. Depreciation

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

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

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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

Software

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

Subsequent expenditure

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

III. Amortisation

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

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

Computer software 5 years

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

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 posi-

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

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

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 vet 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

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.

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.

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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. HR Nigeria Limited (FRC registration number 00000000738) was engaged as the independent actuary in the current and prior years. Actuarial remeasurements are recognised in the profit and loss in the year in which they arise.

III. Termination benefits

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

IV. Short-term employee benefits

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

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

V. Share-based payment transactions

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

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

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

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

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

i) Provisions

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

j) Contingent liabilities

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

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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.

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.

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 invested.

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

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

o) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been statutorily enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 ordinaryshares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

q) Segment reporting

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

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

Segment results, assets and liabilities, that are reported to the BOD includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses and income tax assets and liabilities, net finance cost and amortisation of intangible assets.

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

r) Dividends

Dividends are recognised as liability in the period they are declared.

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

s) Government grants

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

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

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

t) Related parties

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

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 Food	Description This includes the production and sale of MAGGI, CERELAC, NUTREND, NAN, LACTOGEN, SMA 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.

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 statements

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 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the formers investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the Company's financial statements as the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The application of these amendments has had no impact on the company financial statements as the Company did not have any such transactions in the current year.

Amendments to IAS1: Disclosure initiatives

The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16,instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The application of these amendments has had no impact on the Company's financial statements as the Company is not engaged in agricultural activities.

Annual Improvements to IFRSs 2012 - 2014 cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held to sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendment to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of the market for high quality corporate bonds should be at the currency level (i.e the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Company's consolidated financial statements.

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 helow:

Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²
Amendments to IFRS 2	Classification and measurement of Share-based Payment Transactions ²
IFRIC 22	Foreign currency transactions and advance consideration ²
Amendments to IAS 40	Transfers of Investment Property ²
IFRS 16	Leases ³
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle ²

- ¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

Amendments to IAS 7: Disclosure Initiative

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This inlcudes providing a reconciliation between the opening and closing balances arising from financing activities.

The Company will adopt the amendments for the year ending 31 December 2017.

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

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendment is not expected to have any significant impact on the financial statements of the Company. The Company will adopt the amendments for the year ending 31 December 2017.

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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 – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

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.

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 date; or
- 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 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 Legal Form of a Lease.

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:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value: and
- 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 2019.

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 equipment

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2016 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 3.

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.

Information about reportable segment

In thousands of naira		Food Beverage		Unallocated		Total		
	2016	2015	2016	2015	2016	2015	2016	2015
External Revenues	113,377,971	90,384,794	68,533,006	60,886,732	-	-	81,910,977	151,271,526
Interest revenue	-	-	-	-	4,199,314	443,805	4,199,314	443,805
Interest expense	-	-	-	-	(20,864,243)	(4,868,571)	(20,864,243)	(4,868,571)
Depreciation	(4,032,553)	(4,305,352)	(1,943,787)	(1,627,699)	-	-	(5,976,340)	(5,933,051)
Impairment loss	-	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-	-
Reportable segment								
profit before income tax	26,187,811	22,837,935	12,328,032	11,211,814	(16,967,435)	(4,727,272)	21,548,408	29,322,477

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.

In thousands of naira	2016	2015
Total profit or loss for reportable segments	38,515,843	34,049,749
Other corporate expenses and income	(16,967,435)	(4,727,272)
Profit before income tax	21,548,408	29,322,477

Other material items 2016

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

Geographical information

In thousands of naira		2016	2015	
	Revenue	Non-current Assets	Revenue	Non-current Assets
Nigeria	180,004,058	71,849,777	148,214,944	70,500,367
Niger	62,727	-	1,680,558	-
Chad	-	-	-	-
Togo	38,537	-	239,462	-
Ghana	974,510	-	633,385	-
Senegal	39,518	-	61,978	-
Guinea	517,254	-	273,665	-
Other countries	274,373	-	167,534	-
	181,910,977	71,849,777	151,271,526	70,500,367

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 companies total revenue. Therefore, information on major customers is not presented.

9 Revenue

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

In thousands of naira	2016	2015
Nigeria	180,004,058	148,214,944
Export	1,906,919	3,056,582
Total Revenue	181,910,977	151,271,526

10 Net finance cost

In thousands of naira	2016	2015
Interest income on bank deposits	4,199,314	443,805
Finance income	4,199,314	443,805
Interest expense on financial liabilities	(4,577,317)	(3,109,746)
Net foreign exchange loss	(16,286,926)	(1,758,825)
Finance expense	(20,864,243)	(4,868,571)
Net finance cost	(16,664,929)	(4,424,766)

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N2, 377 million (2015: N730 million) excluding the impact of foreign exchange differences.

11 Profit before income tax

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

In thousands of naira	Notes	2016	2015
Depreciation	15(a)	5,976,340	5,933,051
Amortisation of intangible assets	16	-	-
Impairment loss on property, plant and equipment	15(a)	-	-
Auditor's remuneration		32,400	30,000
Directors' remuneration	12 (c)	194,628	113,604
Personnel expenses	12 (a)	20,817,867	18,800,312
Loss on property, plant and equipment disposed		42,213	106,148
Net foreign exchange loss	10	16,286,926	1,758,825
General licence fees	32(b)	6,862,380	5,475,035

(b) Expenses by nature

In thousands of naira	Notes	2016	2015
Depreciation	15(a)	5,976,340	5,933,051
Impairment loss on property, plant and equipment	15(a)	-	-
Auditor's remuneration	-	32,400	30,000
Personnel expenses	12(a)	20,817,867	18,800,312
General licence fees	32(b)	6,862,380	5,475,035
Raw materials and consumables		75,447,982	57,419,630
Distribution expense		6,879,419	6,196,168
Advertising		2,283,654	2,161,449
Sales Promotion		8,473,058	7,765,276
Factory overheads		13,015,142	10,953,539
Other expenses		3,909,398	2,789,823
		143,697,640	117,524,283
Summarised as follows:			
Cost of Sales		106,583,385	83,925,957
Marketing and distribution expenses		28,775,263	25,904,586
Administrative expenses		8,338,992	7,693,740
		143,697,640	117,524,283

12 Personnel expenses

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

In thousands of naira	Notes	2016	2015
Salaries, wages and allowances		10,967,121	9,662,142
Contributions to compulsory pension fund scheme		1,069,498	1,007,884
Contributions to defined contribution gratuity scheme		1,068,490	967,947
Employee short term bonus		1,704,998	859,189
Training, recruitment and canteen expenses		1,232,529	1,187,874
Medical expenses		631,549	379,705
Equity-settled share-based payment transactions	23a(iv)	85,195	170,128
Other personnel expenses		4,058,487	4,565,443
	11	20,817,867	18,800,312

(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:

			2016	2015	i
N		₩	Number	Numbe	r
1,400,001	-	1,600,000	21	-	
1,600,001	-	1,800,000	3	41	
1,800,001	-	2,000,000	47	Ī	7
2,000,001	-	2,500,000	101	143	3
2,500,001	-	3,000,000	180	416	<u>)</u>
3,000,001	-	3,500,000	563	564	ļ
3,500,001	-	4,000,000	358	199)
4,000,001	-	4,500,000	153	263	3
4,500,001	-	5,000,000	237	146)
5,000,001	-	7,000,000	341	283	3
7,000,001	and	above	321	294	ļ
			2,325	2,356	<u> </u>

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

	2016	2015	
	Number	Number	
Production	1,751	1,763	
Supply Chain	99	121	
Sale and Marketing	331	374	
Administration	144	98	
	2,325	2,356	

(c) Directors remuneration.

Remuneration paid to Directors of the Company was as follows:

	2016	2015
In thousands of naira		
Fees:		
Non-Executive directors	6,100	6,100
Executive directors	188,528	107,504
	194,628	113,604

The directors' remuneration shown above includes:

In thousands of naira	2016	2015	
Chairman	2,300	2,300	
Highest paid director	74,145	50,931	

Other directors received emoluments in the following ranges:

2016 2015	
Number Number	+ +
	- 1,000,000
,000 3	1,000,001 25,000,000
,000 - 2	25,000,001 35,000,000
3	Above 35,000,000
6 6	
,,000 - 2	25,000,001 35,000,000

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	2016	2015
Current tax expense		
Current period income tax	13,741,050	3,948,155
Current period tertiary education tax	1,259,600	344,719
	15,000,650	4,292,874
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(1,377,210)	1,292,826
Total income tax expense	13,623,440	5,585,700

(b) Current tax liabilities

In thousands of naira	2016	2015
Movement in current tax liabilities account during the year was as follows		
At 1 January	5,040,468	3,478,733
Charge for the year	15,000,650	4,292,874
Payments in the year	(4,551,484)	(2,731,139)
At 31 December	15,489,634	5,040,468

Reconciliation of effective tax rate (C)

	2016	2016	2015	2015
In thousands of naira				
Profit for the year		7,924,968		23,736,777
Total income tax expense		13,623,440		5,585,700
Profit excluding income tax		21,548,408		29,322,477
Income tax using the Company's domestic tax rate	30.00%	6,464,522	30.00%	8,796,743
Non-deductible expenses*	0.00%	-	0.53%	156,032
Tax exempt income	0.00%	-	(14.48)%	(4,246,446)
Tax incentives	(1.82)%	(391,392)	(0.48)%	(139,842)
Recognition of previously unrecognised tax credits	(2.14)%	(461,429)	(0.63)%	(185,956)
Tertiary Education Tax	5.85%	1,259,600	1.13%	330,615
Prior year under provision of CIT	4.33%	932,857		
Tax effect of changes in pioneer tax relief status	27.30%	5,883,393	2.98%	874,554
Other tax differences	(0.30)%	(64,111)	0.00%	-
	63.22%	13,623,440	19.05%	5,585,700

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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.

- New Flowergate factory with an effective commencement production date of 1 January 2011 and:
- 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.

14 Earnings and declared dividend per share

Basic earnings and declared dividend per share are based on profit attributable to the owners of the Company for the year of \(\pm\)7.924.967.942 (2015: \(\pm\)23.736.776.839) and declared dividend of \(\pm\)415.060.469.000 (2015: \(\pm\)21.798.049.000) 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.

In thousands of naira No	otes	2016	2015
Earnings from continuing operations for the purpose of basic earnings per share		7,924,968	23,736,777
Earnings from continuing operations for the purpose of diluted earnings per share		7,924,968	23,736,777
Weighted average number of ordinary shares as at 31 December		Number ('000)	Number ('000)
	23	792,656	792,656
Basic (Naira)		10.00	29.95
Diluted (Naira)		10.00	29.95

(b) Diluted earnings per share of ₩10.00 (2015: ₩29.95) is based on the profit attributable to ordinary shareholders of ₩7,924,967,942 (2015: ₩23,736,776,839), and on the 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 current and preceding years after adjustment for the effects of all dilutive Nil (2015: Nil) potential ordinary shares.

Property, plant and equipment (PPE) 15

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In thousands of naira	Note	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture & Fittings	IT Equipment	Capital Work in Progress	Total
Cost								
Balance at 1 January 2015		26,597,774	49,205,079	1,382,604	6,359,852	1,072,264	6,897,442	91,515,015
Additions		772,746	1,379,143	488,697	394,071	87,586	4,604,188	7,726,431
Disposals		•	(779,841)	(112,439)	(403,802)	(169,133)	•	(1,465,215)
Transfers		295,469	1,818,912	525,270	530,206	17,677	(3,187,534)	1
Balance at 31 December 2015		27,665,989	51,623,293	2,284,132	6,880,327	1,008,394	8,314,096	97,776,231
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)	г
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
Accumulated depreciation and impairment losses	airment losses							
Balance at 1 January 2015		3,491,165	15,272,843	715,236	3,649,944	870,973	ı	24,000,161
Depreciation	11 (a)	722,108	3,487,902	381,141	1,197,213	144,687	1	5,933,051
Disposals		1	(640,378)	(104,331)	(391,323)	(169,120)	1	(1,305,152)
Balance at 31 December 2015		4,213,273	18,120,367	992,046	4,455,834	846,540	ı	28,628,060
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	1	5,976,340
Disposals		1	(98,176)	(73,250)	(39,379)	(38)	1	(210,843)
Balance at 31 December 2016		5,021,569	21,620,076	1,373,257	5,427,984	950,671	-	34,393,557
Carrying amounts								
At 1 January 2015		23,106,609	33,932,236	898,799	2,709,908	201,291	6,897,442	67,514,854
At 31 December 2015		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

(q)

Impairment loss recognised in property, plant and equipment In 2014, the Company recorded an impairment loss of N362 million in respect of certain plant and equipment.

valuation. No buyer was ready to buy the line at the valued price. However, there was a buyer that signified his intention and promised to start negotiation very early in 2016 which did not materialize and the search for buyer still continues. In 2015, management placed an advert in three (3) national dailies and an independent valuer was invited for the

((c) 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	2016	2015
Cost	4,216,804	4,216,804
Disposal during the year	(44)	-
Accumulated depreciation	(1,073,149)	(887,125)
Carrying amount	3,143,611	3,329,679

(d) Capital commitments

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

In thousands of naira	2016	2015
Approved and contracted	146,703	834,116
Approved but not contracted	11,681,003	4,764,065
	11,827,706	5,598,181

16 Intangible assets

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

In thousands of naira	Notes	Softwares	
Cost			
Balance at 1 January 2015		526,950	
Balance at 31 December 2015		526,950	
Balance at 1 January 2016		526,950	
Balance at 31 December 2016		526,950	
Amortisation			
Balance at 1 January 2015		526,950	
Amortisation for the year	11 (a)	-	
Balance at 31 December 2015		526,950	
Balance at 1 January 2016		526,950	
Amortisation for the year	11 (a)	-	
Balance at 31 December 2016		526,950	
Carrying amounts			
Balance at 1 January 2015			
Balance at 31 December 2015		-	
Balance at 31 December 2016		-	

There were no additions or disposals 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

Prepayments represents the prepaid rents on office, residential apartments and other facilities.

19

Deferred tax liabilitiesRecognised deferred tax (assets) / liabilities
Deferred tax liabilities are attributable to the following:

	Ass	Assets	Liabilities	es	Net	#
In thousands of naira	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Property, plant and equipment	1	(1,281,293)	12,132,646	9,748,915	12,132,646	8,467,622
Employee benefits	(435, 194)	(467,471)	ı	1	(435,194)	(467,471)
Unrealised exchange (loss)/gain (6,493,223)	(6,493,223)	(1,417,313)	ı	ı	(6,493,223)	(1,417,313)
Share based payment	(17,891)	(19,290)	ı	ı	(17,891)	(19,290)
Tax (asset)/liabilities	(6,946,308)	(3,185,367)	12,132,646	9,748,915	5,186,338	6,563,548
Net tax liabilities	(6,946,308)	(3,185,367)	12,132,646	9,748,915	5,186,338	6,563,548

Movement in temporary differences during the year

In thousands of naira	Balance 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Dec	Balance 31 Recognised in ember 2015 profit or loss	Recognised in other Balance 31 comprehensive income December 2016	Balance 31 December 2016
Property, plant and equipment	6,782,851	1,684,771	1	8,467,622	3,665,024	1	12,132,646
Employee benefits	(398,745)	(68,726)	1	(467,471)	32,277	1	(435,194)
Unrealised exchange difference	(1,106,147)	(311,166)	1	(1,417,313)	(1,417,313) (5,075,910)	1	(6,493,223)
Share based payment	(7,236)	(12,054)	ı	(19,290)	1,399	ı	(17,891)
	5,270,723	1,292,825	•	6,563,548	6,563,548 (1,377,210)	•	5,186,338

At 31 December 2016 (2015: Nil), there was no unrecognised deferred tax asset or liability.

20 Inventories

	2016	2015
In thousands of naira		
Raw and packaging materials	7,834,712	2,722,782
Product in process	564,668	492,584
Finished products	7,646,120	4,949,344
Engineering spares	3,103,150	2,079,891
Goods in transit	1,489,100	569,359
	20,637,750	10,813,960

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 $\frak{1}75.4$ billion (2015: $\frak{1}57.4$ billion). In 2016, the write-down of inventories to net realisable value amounted to $\frak{1}288$ million (2015: $\frak{1}284$ million) and is included in cost of sales.

21 Trade and other receivables

In thousands of naira		2016	2015
	Notes		
Trade receivables	29(a)(ii)	7,328,483	14,603,711
Loans to key management personnel	29 (a)(ii),32	8,417	10,622
Staff loans	29(a)(ii)	2,089,397	1,778,050
Trade receivables due from related parties	32(e)(i)	1,753,156	2,226,867
Deposit with Company registrars for dividend		1,190,610	1,670,233
Loans and receivables		12,370,063	20,289,483
Advance payment to suppliers		8,513,575	4,685,636
Deposit for Import		463,314	55,141
Other receivables		4,366,710	767,931
		25,713,662	25,798,191
Non-current - reclassified to long term receivables	17	1,678,251	1,352,196
Current		24,035,411	24,445,995
		25,713,662	25,798,191

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	2016	2015
Cash and bank balances	4,287,186	8,378,523
Short term investment	47,063,966	4,551,003
Cash and cash equivalents in the statement of financial position	51,351,152	12,929,526
Bank overdrafts used for cash management purposes	(154,582)	(305,024)
Cash and cash equivalents in the statement of cash flows	51,196,570	12,624,502

The Company's exposure to credit risk for cash and cash equivalents is disclosed in Note 25.

23 Capital, Reserves and Dividends

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares	2016	2015
At 31 December	792,656,252	792,656,252

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

In number of shares	2016	2015
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

(iii) Share premium

In number of shares	2016	2015
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 reserves 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 number of shares	2016	2015
At 1 January	150,466	44,637
Share based payment contribution	85,195	170,128
Share based payment recharge	(109,181)	(64,299)
At 31 December	126,480	150,466

(b) Dividends

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

		2016		2015	
	Per Share (⊨N⊨)	=N ='000	Per Share (N _)	=N= '000	
Final dividend	19	15,060,469	17.50	13,871,484	
Interim dividend	-	-	10.00	7,926,565	
	19	15,060,469	27.50	21,798,049	

Total dividend 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.

	2016	2015
Naira per qualifying ordinary share	10.00	19.00

(ii) Movement in dividend payable

In thousands of naira	2016	2015
Note		
At 1 January	9,290,194	3,660,731
Declared dividend	15,060,469	21,798,049
Unclaimed dividend transferred to retained earnings	(30,488)	(22,874)
Payments	(20,081,494)	(16,145,712)
At 31 December 28	4,238,681	9,290,194

As at 31 December 2016, ₹1,191 million (2015: ₹1.670 million) of the total dividend payable is held with the Company's registrar, GTL Registrars Nigeria Limited. The remaining dividend payable of ₩3.04 billion (2015: ₩2.8 billion) represents unclaimed dividends, which have been returned to the Company by the Registrar and are held in separate interest yielding bank accounts.

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	2016	2015
Secured bank loans	3,964,762	5,467,382
Loans from related party	46,549,954	24,171,782
	50,514,716	29,639,164

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

In thousands of naira	2016	2015
Current liabilities	40,130,375	17,108,803
Non-current liabilities	10,384,341	12,530,361
	50,514,716	29,639,164

Ferms and debt repayment schedule

Terms and conditions of outstanding loans were as follows

					K	2016	2015	
In thousands of naira	Notes	Currency	Nominal Interest Rate	Year of Maturity	Face	Carrying amount	Face Value	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	8,057,261	8,057,261
Loan from related party	(i)	USD	LIBOR + 2.7%	2017	5,324,758	5,324,758	2,014,315	2,014,315
Loan from related party	(i)	USD	LIBOR + 7.0%	2017	3,156,763	3,156,763	3,424,335	3,424,335
Loan from related party	(i)	USD	LIBOR + 7.6%	2017	2,269,102	2,269,102	2,014,315	2,014,315
Loan from related party	(i)	USD	LIBOR + 7.3%	2017	3,138,606	3,138,606	1,410,021	1,410,021
Loan from related party	(ii)	USD	LIBOR + 4.2%	2018	8,288,658	8,288,658	2,014,315	2,014,315
Loan from related party	(ii)	USD	LIBOR + 7.6%	2017	11,082,518	11,082,518	5,237,220	5,237,220
Secured bank loan	(iii)	NGN	2.00%	2017	333,335	333,335	999'999	999'999
Secured bank loan	(iv)	NGN	2.50%	2018	381,818	381,818	000,009	000'009
Secured bank loan	(>)	NBN	10%	2019	3,249,609	3,249,609	4,200,716	4,200,716
Total Interest bearing liabilities	ties				50,514,716	50,514,716	29,639,164	29,639,164

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

- Two loan facilities of US \$54million and US \$40million which were made available to the Company in 2008 by Nestlé Treasury Centre Middle 31 December 2010. Both loans have tenures of 7 years (inclusive of a moratorium period of 2 years on interest payments only) commencing from East & Africa Limited, a Nestlé Group Company based in Dubai for general corporate purposes. Both facilities have been fully drawn down as at March 2008 and December 2008 respectively. These facilities, which are unsecured, attract interest at 6 months USD LIBOR plus a margin of 150 The oasis points and 300 basis points respectively. The principal amounts become payable at the end of the seven year tenure for both loans. enure of these loans were extended during the year. \equiv
- 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. The facility which is unsecured 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 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. attracts interest at 6 months USD LIBOR plus a margin of 300 basis points. \equiv \equiv
 - at 31 December 2016. US\$ 5.1 Million was repaid during the year 2016 to leave a balance of US\$ 34.9 Million at year end. The loan tenure is one year.
- The Company repaid USD 10 Million from the Ioan obtained from Nestlé Treasury Centre Middle East & Africa Limited during the year. <u>(</u>

(Q)

- (v) A ₹2.0 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 ★1.2 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.
- (vii) A ⇒ 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.

(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 ₹3,445,164,523 (2015: ₹4,487,089,634) and the resulting deferred income on the loans was ₹345,894,642.76 (2015: ₹466,788,649). 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 obtain 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.

25 Employee Benefits

(a) 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	2016	2015
Balance at 1 January	2,382,213	1,827,773
(Income)/expense for the year	(86,411)	794,704
Payments during the year	(192,058)	(240,264)
Balance at 31 December	2,103,744	2,382,213

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

	2016	2015
Long term average Discount rate (p.a.)	16%	12%
Äverage 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 A49/52 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

	2016	2015
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
	2016	2015
Less than or equal to 34	4.0%	4.0%
35 – 39	3.0%	3.0%
40 – 54	2.0%	2.0%
55 – 59	1.0%	2.0%
60 – 60	0.0%	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 2016	Employee benefit obligation	
Effect in thousands of naira	Increase	Decrease
Discount Rate (1% movement)	(102,254)	112,605
Future salary growth (1% movement)	118,099	(108,381)
Life Expectancy (1% movement)	(5.677)	5.100

(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	2016	2015
Balance at 1 January	159,939	143,143
Charged for the year	2,064,738	1,835,657
Payments during the year	(2,219,349)	(1,818,861)
Balance at 31 December	5,328	159,939

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 February 2012	4,810	3 years' service
Shares awarded to key management on 28 February 2013	2,870	3 years' service
Shares awarded to key management on 28 February 2014	4,215	3 years' service
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

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 2016 is +45,643,933)

Total share based payment expense recognised in the profit or loss for the year amounted to ₹85,195,193 (2015: ₹170,128,040). See Note 12.

27 Provisions

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

	2016	2015
In thousands of naira		
Balance at 1 January 2016	615,834	534,808
Provisions made during the year	73,924	134,407
Provisions used during the year	(93,011)	(53,381)
Balance at 31 December 2016	596,747	615,834
Current	596,747	615,834

28 Trade and other payables

	2016	2015
In thousands of naira Note		
Trade payables	10,638,818	9,240,551
Other payables and accruals	11,173,706	4,441,014
Trade payables due to related parties 32	38,610,891	13,689,969
Dividend payable 23(b)	4,238,681	9,290,194
	64,662,096	36,661,728

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

29 Financial instruments

Financial Risk Management (a)

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)

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

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

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.

i Exposure to credit risk

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

		Carrying amount 2016	2015
In thousands of naira	Note		
Loans and receivables	21	12,370,063	20,289,483
Cash	22	51,351,152	12,929,526
		63,721,215	33,219,009

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

		Carrying amount 2016	2015
In thousands of naira	Note	20.0	20.0
Distributors	21	7,328,483	14,603,711
Related parties	21	1,753,156	2,226,867
Loans to key management personnel	21	8,417	10,622
Staff loans and advances	21	2,089,397	1,778,050
Registrar	21	1,190,610	1,670,233
		12,370,063	20,289,483

The Company's most significant customer accounts for ₹403 million of the loans and receivables carrying amount at 31 December 2016 (2015: ₹475 million).

ii Impairment losses

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

In thousands of naira	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not Past due	4,243,638	-	6,201,404	-
Past due	6,418,250	(3,333,405)	11,091,102	(2,688,795)
	10,661,888	(3,333,405)	17,292,506	(2,688,795)

Notes to the financial statements (contd.)

For the year ended 31 December 2016

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

In thousands of Naira	2016	2015
Balance at 1 January	2,688,929	1,236,738
Prior year impairment loss reversed	(488,254)	(855,855)
Impairment loss recognized	1,132,730	2,308,046
Balance at 31 December	3,333,405	2,688,929

The impairment loss as at 31 December 2016 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, over 95% of the trade receivable balance, have been collected.

(iii) Liquidity risk

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

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

31 December 2016

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 financia	al liabilities						
Secured bank loans	3,964,762	4,592,453	(1,382,048)	(611,670)	(1,146,074)	(1,452,661)	-
Unsecured intercompany loa	ns 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)	-

31 December 2015

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 financia	I liabilities						
Secured bank loans	5,467,382	5,467,382	(751,310)	(751,310)	(1,502,620)	(2,462,142)	-
Unsecured intercompany loan	ns 24,171,782	24,171,782	(2,406,981)	(7,658,822)	(5,278,930)	(8,827,049)	-
Trade and other payables	36,661,728	36,661,728	(36,661,728)	-	-	-	-
	66,300,892	66,300,892	(39,820,019)	(8,410,132)	(6,781,550)	(11,289,191)	-

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

(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 ₹16.3 billion (2015: ₹1.7 billion). They are allocated to the appropriate headings of expenses by function.

Financial instruments analysed by currency is as follows

USD	United States Dollar	SGD	Singaporean Dollar
File	_	XOF	Ivorian CFA
0 B C	Starling	CH	Swiss Franc
ZAR	South African Rand	JPY	Japanese Yen

			Ŕ	31 December 2016	2016					
Amount in thousands	NGN	Euro		USD CHF	XOF	ZAR	SGD		GBP GHS JPY	JPY
Unsecured intercompany loans	1	1	- (144,000)	1	1	1	1		1	1
Amount due from related parties	500,179	546	3,480	32	76,175	1	ı	ı	1	ı
Amount due to related parties	(8,013,461) (37,583) (54,504) (5,922)	(37,583)	(54,504)	(5,922)	1	- (1,914)	(492) (180)	(180)	1	1
Trade payables	(12,290,570)	1	1		1	1	1	1	ı	ī
Net exposure	(19,803,852) (37,037) (195,024) (5,890)	(37,037)	(195,024)	(2,890)	76,175	76,175 (1,914)	(492) (180)	(180)		•

			က	31 December 2015	2015					
Amount in thousands	NGN	Euro	OSD	CHF	XOF	ZAR	SGD	GBP	GHS	JPY
Unsecured intercompany loans	1	ı	- (120,000)	1	1	1	ı	ı	ı	
Amount due from related parties	7,356	5,585	5,585 2,518	59	1	1	1	ı	ı	1
Amount due to related parties	(1,803,907) (20,550) (20,488) (4,118)	(20,550)	(20,488)	(4,118)	ı	(009)	(35) (43)	(43)	ı	ı
Trade payables	(10,165,435)	ı	ı		ı	ı	ı	ı	ı	ı
Net exposure	(11,961,986) (14,965) (137,970) (4,089)	(14,965)	(137,970)	(4,089)	•	(009)	(32)	(43)		

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

	Avera	werage rate	Year	Year end spot rate
	2016	2015	2016	2015
Euro	269.03	219.69	320.33	217.72
United states dollar (USD)	251.95	197.96	304.70	199.20

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 2015, 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 2016		
Euro (10 percent strengthening)	-	1,186,406
USD (10 percent strengthening)	-	5,942,381
31 December 2015		
Euro (10 percent strengthening)	-	325,040
USD (10 percent strengthening)	-	2,748,362

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:

	Carr	ying Amount
In thousands of naira	2016	2015
Fixed rate instruments		
Financial assets	47,063,966	4,551,003
Financial liabilities	3,964,762	5,467,382
	51,028,728	10,018,385
Variable rate instruments		
Financial assets	-	-
Financial liabilities	46,549,954	24,171,782
	46,549,954	24,171,782

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit	or loss	Equ	ity
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
31 December 2016				
Variable rate instruments	(334,297)	334,297		
Cash flow sensitivity (net)	(334,297)	334,297	-	-
31 December 2015				
Variable rate instruments	(120,000)	120,000	-	-
Cash flow sensitivity (net)	(120,000)	120,000	-	-

(V) Operational risk

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

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

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of transactions
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(b) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(I) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value for short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purposes, at each annual reporting date.

(II) Non-derivative financial liabilities

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

(III) Share-based payment transactions

The fair value of the restricted stock unit plan is measured based on market prices of the awarded shares on the grant date adjusted for the present value of dividends that participants are not entitled to receive during the restricted period of 3 years.

Fair values

Fair values versus carrying amounts

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

Assets measured at fair value

There are no financial assets and liabilities that are carried at fair value. As such the fair value hierarchy has not been disclosed.

Financial assets measured at amortized cost

	2	016	201	5
In thousands of naira	Carrying amount	Fair value	Carrying amount	Fair value
Long term receivables	1,678,251	1,678,251	1,352,196	1,352,196
Loans and receivables	10,691,811	10,691,811	18,937,287	18,937,287
Cash Balance	51,351,152	51,351,152	12,929,526	12,929,526
	63,721,214	63,721,214	33,219,009	33,219,009

(b) Determination of fair values

Financial liabilities measured at amortized cost

In thousands of naira	2	2016	2015		
Unsecured intercompany loan	46,549,954	46,549,954	24,171,782	24,171,782	
Secured bank loans	3,964,762	3,964,762	5,467,382	5,467,382	
Bank overdraft	154,582	154,582	305,024	305,024	
Trade and other payables	64,662,096	64,662,096	36,661,728	36,661,728	
	115,331,394	115,331,394	66,605,916	66,605,916	

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	2016	2015
Total liabilities	138,707,857	81,207,979
Cash Balance	(51,351,152)	(12,929,526)
Net Debt	87,356,705	68,278,453
Total Equity	30,878,075	38,007,074
Debt to capital ratio at December 31	2.83	1.80

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 \$\infty\$669 million (2015: \$\infty\$424 million)

During the year ended 31 December 2016 an amount of ₹343 million (2015: ₹313 million) was recognized as an expense in profit or loss in respect of operating leases. Contingent rent recognized as an expense amounted to Nil (2015: 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.

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 ₹572.8million as at 31 December 2016 (2015: ₹646.5million). While the contingent assets in respect of pending litigations amounted to ₹251.9million for the year then ended (2015: Nil), 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 ₹3,923million.

32 Related parties

(a) Parent and ultimate controlling party

As at the year ended 31 December 2016, Nestlé S.A. Switzerland, the ultimate holding Company owned 65.74% (2015: 63.48%) 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 paid in the current year was +6.862 billion (2015: +5.474 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.

Notes to the financial statements (contd.)

For the year ended 31 December 2016

Agency and Administration Service Agreement

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

(c) Transactions with key management personnel

Loan to key management personnel

New loan of ₹9,500,000 was issued to key management personnel during the year ended 31 December 2016 (2015: Nil) 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 2016, the balance outstanding was ₹8,417,000 (2015: ₩10,622,000) 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	2016	2015
Short-term employee benefits	76,175	50,391
Contribution to compulsory pension fund scheme	14,025	14,756
Defined contribution gratuity scheme	15,065	16,315
Share based payments	109,181	64,299
	214,446	145,761

(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

Transaction value								
In thousands of naira	Nature of transaction	Year 31 Dec	ended ember	Balance outstanding as at 31 December				
Related Party		2016	2015	2016	2015			
Nestlé Ghana Limited	Finished goods	1,763,317	1,046,654	1,702,723	790,854			
Nestlé World Trade Corporation Limited	PPE/ Services	4,240,050	3,024,171	6,048,554	2,351,823			
Nestlé Netherlands	Finished goods	2,015,810	1,691,154	1,973,899	1,358,118			
Nestlé France Limited	Finished goods	1,936,256	1,011,603	1,907,764	686,855			
Societe Des Produits Nestlé S.A	Services	6,999,837	4,728,043	8,013,461	2,165,033			
Nestlé Central and West Africa	Services	5,834,074	3,845,332	9,521,876	2,465,324			
Wyeth Nutritional Singapore	Finished Goods	669,423	2,318,680	2,771,261	1,311,478			
Others		5,172,843	2,889,753	6,671,353	2,560,483			
		28,631,610	20,555,390	38,610,891	13,689,968			

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;

(ii) Intercompany receivables

Net Transaction value								
In thousands of naira	Nature of Year transaction	ended 31 December		Balance outstanding as at 31 December				
Related Party		2016	2015	2016	2015			
Nestlé Togo	Finished goods and Services	101,549	251,375	-	48,502			
Nestlé Ghana	Finished goods and Services	561,823	680,713	693,990	158,971			
Nestlé Niger	Finished goods and Services	978,769	1,792,847	11,528	983,767			
Nestlé Senegal	Finished goods and Services	34,909	83,333	-	65,984			
Nestlé Cameroun	Finished goods and Services	-	5,682	106,157	72,948			
Nestle Middle East	Services	8,053	139,162	160,641	-			
Others	Finished goods and Services	67,098	487,999	780,840	896,695			
		1,752,201	3,441,111	1,753,156	2,226,867			

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.

Events after the reporting date

A distributor instituted a case against a bank and the Company claiming general damages and interests. As at the time of approving these financial statements, we are unable to estimate the likely contingent liability that may arise from this case. Other than the afore mentioned, 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 2016 that have not been adequately provided for or disclosed in the financial statements.

Other National Disclosures

Value Added Statement

In thousands of naira	2016	%	2015	%
Revenue	181,910,977		151,271,526	
Brought in materials and services				
- Local	(70,166,096)		(55,693,631)	
- Imported	(46,737,337)		(37,097,289)	
	65,007,544		58,480,606	
Finance Income	4,199,314		443,805	
Value Added	69,206,858	100	58,924,411	100
Distribution of Value Added:				
To Employees:				
- Employees as wages and salaries				
and end of service benefits	20,817,867	30	18,800,312	32
To Providers of Finance:				
- Finance Costs	20,864,243	30	4,868,571	8
- Company tax	15,000,650	22	4,292,874	7
- Retained in the business:				
- Depreciation of tangible assets	5,976,340	9	5,933,051	10
- Deferred tax	(1,377,210)	(2)	1,292,826	3
- Impairment loss on tangible assets				
- Profit transfered to reserves	7,924,968	11	23,736,777	40
	69,206,858	100	58,924,411	100

Other National Disclosures

5 Year Financial Summary

In thousands of naira	2016	2015	2014	2013	2012
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	126,480	150,466	44,637	26,585	49,543
Retained Earnings	30,323,005	37,428,018	35,466,416	40,139,626	33,707,429
Shareholder's Fund	30,878,075	38,007,074	35,939,643	40,594,801	34,185,562
Current Liabilities	121,033,434	59,731,857	44,638,052	33,233,095	25,179,644
Non-current Liabilities	17,674,423	21,476,122	25,484,372	34,379,584	29,598,012
	169,585,932	119,215,053	106,062,067	108,207,480	88,963,218
Asset Employed					
Non Current assets	97,736,155	70,500,367	68,672,737	66,451,672	62,607,073
Current assets	71,849,777	48,714,686	37,389,330	41,755,808	26,356,145
	169,585,932	119,215,053	106,062,067	108,207,480	88,963,218
In thousands of naira	2016	2015	2014	2013	2012
Revenue	181,910,977	151,271,526	143,328,982	133,084,076	116,707,394
Profit before income tax	21,548,408	29,322,477	24,445,978	26,047,590	25,050,172
Profit for the year	7,924,968	23,736,777	22,235,640	22,258,279	21,137,275
Other comprehensive income, net of tax	-	-	-	-	(186,501)
Declared dividend*	15,060,469	21,798,049	26,950,313	15,853,125	9,947,836
Per 50k share data:					
Basic earnings per share	₩ 10.00	₩29.95 ₩28.05		₩28.08	₩26.67
Diluted earnings per share	₩ 10.00) № 29.95 № 28.05		₩ 28.08	₩26.67
Declared dividend per share	₩19.00	₩27.50	₩34.00	₩20.00	₩ 12.55
Net assets per share	₩ 38.96	N -47.95	N -45.34	N 51.21	₩43.13

^{*} Declared dividend represents the interim dividend declared during the year and final dividend proposed for the preceding year but declared during the current year. No interim dividend was declared in 2016.

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

Additional Corporate Information

Shareholders Information

Ten Year Dividend History

Year	Dividend No.	Profit After Taxation (=N='000)	Dividend Declared (Gross) (=N='000)	Dividend Per Share (kobo)	Dividend Type
2007	45 46	5,441,899	1,155,957 4,260,527	175 645	Interim Final
2008	47 48	8,331,599	1,288,066 7,001,796	195 1060	Interim Final
2009	49 50	9,783,578	1,288,067 7,001,796	195 1060	Interim Final
2010	51 52	12,602,109	1,288,067 7,001,796	195 1060	Interim Final
2011	53 54	16,808,764	1,188,984 8,758,852	150 1105	Interim Final
2012	55 56	21,137,275	1,188,984 14,664,140	150 1850	Interim Final
2013	57 58	22,258,279	1,188,984 19,023,750	150 2400	Interim Final
2014	59 60	22,235,640	7,926,562 13,871,484	1000 1750	Interim Final
2015	61 62	23,736,777	7,926,562 15,060,468	1000 1900	Interim Final
2016	63	7,924,968	7,926,562	1000	Proposed Dividend

Ten-Year Turnover, Profit Before Tax, Taxation and Profit After Tax History

	Turnover	Profit Before Tax	Taxation	Profit After Tax
31 Dec	(=N ='000)	(*N= '000)	(N ='000)	(N ='000)
2007	44,027,525	8,463,788	3,021,889	5,441,899
2008	51,742,302	11,862,213	3,530,614	8,331,599
2009	68,317,303	13,783,244	3,999,666	9,783,578
2010	82,726,229	18,244,454	5,642,345	12,602,109
2011	97,961,260	18,199,249	1,702,796	16,496,453
2012	116,707,394	25,050,172	3,912,897	21,137,275
2013	133,084,076	26,047,590	3,789,311	22,258,279
2014	143,328,982	24,445,978	2,210,338	22,235,640
2015	151,271,526	29,322,477	5,585,700	23,736,777
2016	181,910,977	21,548,408	13,623,440	7,924,968

Share Capital History

The share capital of the Company is as indicated below. The issued and paid up capital of the Company as at 31 December 2016 is +1+396,328,126.

Date	Authorized Shares Share Capital Value =N=	Shares	Issued And Fully Paid Value ⊐N≕	Shares	-N-
29-11-71	200,000	100,000	200,000	100,000	Cash
30-12-71	600,000	300,000	200,000	100,000	-
30-11-72	600,000	300,000	440,000	220,000	Cash
11-06-73	1,000,000	500,000	440,000	220,000	-
16-08-73	1,000,000	500,000	756,726	378,363	Cash
22-10-73	1,000,000	500,000	1,000,000	500,000	Cash
21-05-74	2,000,000	1,000,000	1,000,000	500,000	-
15-10-74	2,000,000	1,000,000	1,250,000	625,000	Rights (1:4)
27-03-75	2,000,000	1,000,000	1,625,000	812,500	Rights (3:10)
02-05-75	2,000,000	1,000,000	2,000,000	1,000,000	Bonus (3:10)
28-05-76	3,000,000	1,500,000	2,000,000	1,000,000	
11-08-76	3,000,000	1,500,000	3,000,000	1,500,000	Bonus (1:2)
10-11-76	5,000,000	10,000,000	3,000,000	3,000,000	1 share of ++2 subdivided
					to 2 shares of ₩1 each
12-08-77	5,000,000	10,000,000	5,000,000	5,000,000	Bonus (2:3)
12-05-78	7,500,000	15,000,000	5,000,000	10,000,000	1 share of ₩1 each subdivided
					to 2 shares of 50 kobo each
08-12-78	7,500,000	15,000,000	7,500,000	15,000,000	Public Issue
10-07-80	11,250,000	22,500,000	11,250,000	22,500,000	Bonus (1:2)
01-07-82	16,875,000	33,750,000	16,875,000	33,750,000	Bonus (1:2)
18-06-86	20,250,000	40,500,000	20,250,000	40,500,000	Bonus (1:5)
09-03-90	30,375,000	60,750,000	30,375,000	60,750,000	Rights (1:2)
27-06-91	40,500,000	81,000,000	40,500,000	81,000,000	Bonus (1:3)
24-06-93	50,625,000	101,250,000	50,625,000	101,250,000	Bonus (1:4)
23-06-94	75,937,500	151,875,000	75,937,500	151,875,000	Bonus (1:2)
03-09-96	105,687,500	211,375,000	105,687,500	211,375,000	Scheme of arrangement for
					acquisition of NPL shares
19-06-97	211,375,000	422,750,000	211,375,000	422,750,000	Bonus (1:1)
15-04-03	264,218,750	528,437,500	264,218,750	528,437,500	Bonus (1:4)
24-04-07	330,273,438	660,546,875	330,273,438	660,546,875	Bonus (1:4)
28-04-11	396,328,126	792,656,252	396,328,126	792,656,252	Bonus (1:5)

Unclaimed Dividend Warrants, Bonus and Rights Certificates

Div. Number	Date Of Payment	Unclaimed Dividend =N-
40	April 27, 2005	45,176,328.00
41	November 28, 2005	17,710,779.60
42	April 25, 2006	61,629,264.00
43	November 27, 2006	13,882,208.40
44	April 24, 2007	69,668,843.66
45	November 26, 2007	19,973,951.81
46	April 22, 2008	66,033,006.08
47	December 1, 2008	25,064,801.74
48	April 29, 2009	140,304,875.40
49	December 7, 2009	25,219,520.72
50	April 28, 2010	158,981,295.24
51	January 10, 2011	67,586,494.49
52	April 29, 2011	329,652,171.90
53	December 12, 2011	42,468,764.40
54	April 27, 2012	297,567,227.64
55	December 24, 2012	47,545,123.50
56	May 10, 2013	529,016,337.45
57	December 9, 2013	43,190,940.00
58	May 13, 2014	729,957,840.63
59	December 8, 2014	251,331,336.00
60	May 12, 2015	517,905,482.50
61	December 7, 2015	321,717,330.00
62	May 24, 2016	617,794,674.40

Since becoming a public company in 1978, Nestlé Nigeria has declared sixty-two Dividends, issued ten scripts and made one rights issue. Our records show that Dividend warrants in respect of the unclaimed dividends listed below have not been presented for payment while a number of Share Certificates have been returned to the Registrars as unclaimed or undeliverable. For Unclaimed Dividend and Share Certificates, please contact:

The Managing Director, GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos Apapa.

Scripts	Date Issued	
01	10 July 1980	1 for 2
02	01 July 1982	1 for 2
03	18 June 1986	1 for 5
04	27 June 1991	1 for 3
05	24 June 1993	1 for 4
06	23 June 1994	1 for 2
07	19 June 1997	1 for 1
08	15 April 2003	1 for 4
09	24 April 2007	1 for 4
10	28 April 2011	1 for 5
Rights		
01	09 March 1990	1 for 2

Corporate Directory

Head Office

Lagos

22-24 Industrial Avenue, Ilupeju Lagos.

P.M.B. 21164, Ikeja, Lagos State. Tel: 01-2798184, 2798188, 2790707 Fax: 01-4963033

Factories / Distribution Centres Agbara Factory

Km 32, Lagos-Badagry Express Road, Agbara Industrial Estate, Ogun State. Tel: 01-4484330-5, Fax: 01-2790701.

Flowergate Factory

Flowergate Industrial Estate Along Abeokuta - Sagamu Expressway By RIYE Roundabout Sagamu, Ogun State.

Tel: 01-2791150.

Abaji Factory

Plot No CP/ED1395 Phase II Extension, Layout II, FCT, Abuja Tel: 08052797010

Distribution Centre

Km 7, Idi-Iroko Road, Sango-Ota, Ogun State Tel: 01-7912764, 7944658, 7924502.

Distribution Centre

Km 32, Lagos-Badagry Express Road, Agbara Industrial Estate, Ogun State.

Branch Offices

Lagos

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

Kaduna

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

Port Harcourt

19 Stadium Rd, Port Harcourt. Tel: 08052797388.

Enugu

5A Okpara Avenue, G.R.A., Enugu Tel: 08052797143.

Ibadan

Plot 1, Block D, Ring Road/Challenge Junction, Ibadan

Tel: 09038868775.

Lagos Extension

Km 7, Idi-Iroko Road, Sango-Ota, Ogun State. Tel: 08052797120.

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

Abuja

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

Our Leading Brands







MAGGI Star Cube is an all-purpose seasoning, made from fermented soya beans, perfect for many traditional Nigerian dishes in delivering pleasant aroma and great taste.

MAGGI Crayfish provides traditional taste and aroma of natural crayfish to your cooking, thus giving it that distinct Crayfish flavour.

MAGGI Chicken gives the best chicken flavour, inviting aroma and perfect colour.

It comes in two formats – cubes and tablets

MAGGI Mix'py comes in 4 powder variants: Tomato: perfect red colour for your stews, porridge and jollof rice.

Ginger and Garlic: use for steaming and bring natural flavour

Golden beef: premium, mouth-watering beef flavour like you have never tasted it.

Classic: a special blend of onion and mild spice for your traditional soups



With MAGGI, Every Woman is a Star

Our leading brands (contd.)



Left;

A scene from the 2016 MAGGI® caravan during which 112,000 women were reached, helping them to address micronutrient deficiencies and also encouraging and educating them to change food habits and behaviours, towards a healthier lifestyle

MAGGI[®], the partner of Nigerian families for tastier and healthier food since 1966

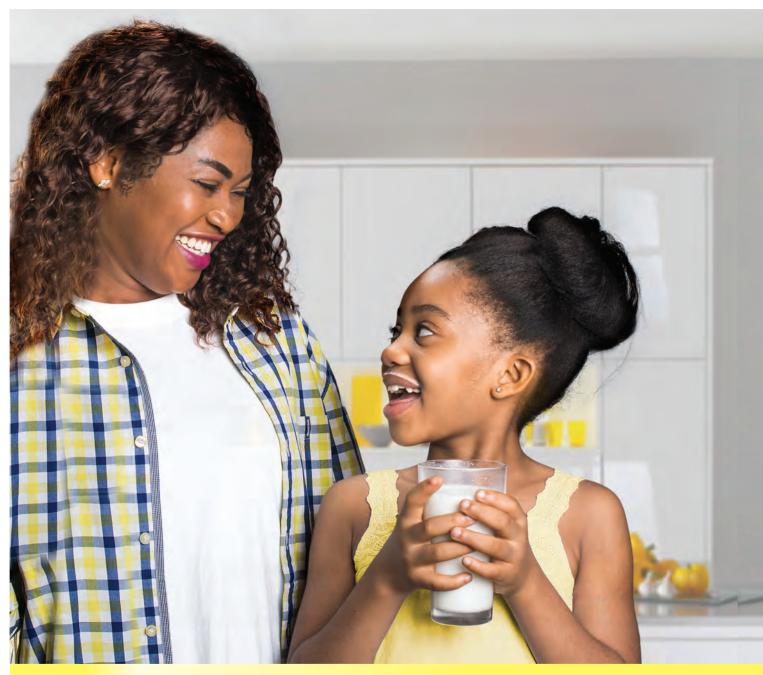
For over five decades MAGGI® has been helping Nigerians create delicious and nutritious meal for their families with guarantee of success and appreciation.

In 2016, MAGGI® continued to enhance the quality of life of 22 million Nigerian households with tastier and healthier choices. MAGGI star cubes fortified with iron and iodine has been used in the preparation of 30 billion servings which helped to address micronutrient deficiencies. MAGGI® also encouraged and educated consumers to change food habits, behaviours, and promote healthy lifestyles via the MAGGI® caravan where 112,000 women have been reached in 2016.

The brand continues to support creating shared value within host communities in the Southwest of Nigeria, by supporting Soya bean farmers. About twenty seven hectares have been planted with improved soya bean varieties with better seed colour, seed size, and seed yield. Fermented Soya is an essential ingredient to our flagship product – MAGGI® Star Cube.

The quality of MAGGI® products and the relevance of initiatives supporting local communities turned MAGGI into the favourite seasoning brand in Nigeria with increasing market shares in a growing seasoning category*. In December 2016 MAGGI® reached the highest market share* (volume and value) in the history of the brand.

In 2017, MAGGI® is committed to continuously be closer to our beloved consumers and bring goodness to people and the society.





nutrition and in building the foundation for leverage the best of our science and the best nutrition milk can offer through our brand Nestlé NIDO.

full cream milk powder that presents a that caters to the specific needs of a child's in 400g ,900g & 2.5kg. growing years. The unique goodness NIDO. Your love. Their future.

Milk plays an essential role in children's of Nestlé NIDO helps mothers provide their children with complete and delicious milk a healthy future. That is why we at Nestlé nutrition to support their growth to the fullest potential.

product expertise to provide families with It has high quality proteins to aid muscle growth and is a good source of Calcium and Vitamin D for strong bones and teeth; it also contains Nestlé NIDO fortified with FortiGrow is a Iron and Vitamin C to support cognitive development and immunity in children.

perfectly balanced combination of nutrients Nestlé NIDO fortified with FortiGrow is available



NIDO - Enriching lives, Nurturing futures

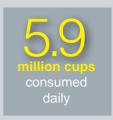
NIDO®, Mother's Day activation; ...fortifying the Mother - Child bond.

The NIDO mother's day activation took place in March 2016 and created a platform for Mothers to feel appreciated, and for the children to express their love

Nestlé's NIDO is a full-cream premium milk that is a great source of nutrition crucial to healthy development in children. This event was aimed at rewarding loyal NIDO mums, and attracting new mums through an

involved Moms speaking with the Dietician, discussing issues related to their children's growth, and the children creating beautiful artworks for presentation to









MILO is made from the natural goodness of cocoa, milk and malt and fortified with Activ-Go for energy release, muscle function and bone maintenance essential for physical activity in children.

MILO believes every child has a dream of becoming a champion and every dream deserves to be nurtured

Sport is a great teacher, that is why for over 30 years, MILO has been at the forefront of Sports development in Nigeria. MILO uses sport as a metaphor to teach pupils important values in life such as determination, discipline, focus, team work and friendship.

Sport is not just a game. It is the school of life. It is where champions learn the importance of sacrificing now to celebrate later. To believe in self and never give up. This is where you realize you can stand on your own, but with others, you can fly

MILO is not just a drink. It is fuel that helps to bring out the champion in children. It is indeed the energy of future champions.

Our leading brands (contd.)





Тор;

The MILO Sports Development Program (MSDP) teaches pupils the importance of breakfast and encourages children in schools to participate in sports

Left;

The MILO Basketball Championship (MBC) is now in its 19th edition, with participats from 8,500 secondary schools across the 36 states in Nigeria.

MILO®, nourishing future Nigerian champions

MILO BASKETBALL CHAMPIONSHIP (MBC)

MILO supports grassroots sports development through the MILO Secondary Schools Basketball Championship which is in its 19th edition.

Last year, more than 100,000 children participated from 8,500 secondary schools across the 36 states in Nigeria

The best from the championship attend the MILO Top 50 Camp where their skills are further refined alongside others by coaches and scouts from the world famous NBA.

MILO continues to enrich basketball development in Nigeria through this initiative which is organized in conjunction with the Nigeria School Sports Federation (NSSF) an arm of the Ministry of Education and the National Collegiate Sports Foundation (NCSF).

A good number of the present and past national basketball team players in the male and female categories have been part of the MILO Basketball Championship earlier on in their careers. Some past players are now plying their trade in professional basketball leagues overseas.

MILO SPORTS DEVELOPMENT PROGRAM (MSDP)

MILO encourages children in school to participate in sports through the MILO Sports Development Programme. With this initiative, MILO brings sports back to school and meaningfully engages pupils to prevent them from partaking in vices.

In the last ten years, the MSDP has reached over 10 million pupils in primary schools across Nigeria, equipping pupils with basic sport skills, encouraging a healthy lifestyle and helping champs learn important values like determination, discipline, focus, team work and friendship while participating in sports.



Our coffee has long been known and loved for its mild stimulating attributes, appealing aroma and satisfying taste.

With over 75 years of expertise in every cup, we give you these great reasons to consume our NESCAFÉ.

- It tastes amazingly good, however you choose your cup.
- It awakens your senses in a healthy way.

- It is 100% natural.
- NESCAFÉ connects people in diverse ways; business, social pleasure, fun. Indeed as we say
- It all starts with a NESCAFÉ"

NESCAFÉ comes in different sizes in order to meet the different states of our discerning consumer: NESCAFÉ Classic (Tin, Bottle and Sachet) NESCAFÉ 3-in-1 mixes (18g and 32g)



Our leading brands (contd.)



Ton

One of Nestlé Nigeria's CSV initiatives is focused around selling hot Nescafé in crowded areas and open markets while creating job opportunities for the youth. In the 'My Own Business' (MYOWBU) initiative, young people – the majority of whom are women – sell hot Nescafé from specially designed backpacks, which enable them to dispense coffee by the cup.

An entrepreneurial vision ...it all starts with a NESCAFÉ®

As the leading Instant Coffee Brand, Nescafé has been at the forefront of developing the Coffee consumption culture in Nigeria in a Sustainable Way.

This feat we have been able to achieve and will continue to drive by clearly demonstrating that we do not just sell Coffee but also create value in the society. As such we would continue to create shared Value through the expansion and acceleration of our **MYOWBU** (My Own Business) shared value initiative that not only helps create and evolve budding entrepreneurs but also bring more and more Nigerians into the amazing culture of Coffee consumption.

All of these we would do whilst endearing Nigerians to the Nescafé Brand.

Nescafé, when enjoyed as a black coffee is made 100% coffee beans with water. Nothing more. Nothing less. We carefully select high quality Arabica and Robusta beans to make sure every cup delivers a distinctive 100% experience.



At Nestlé Waters our mission is "To bring safe drinking water to the Nigerian consumers combined with innovative healthy solutions aimed at improving the quality of life of our consumers and their families"

Nestlé Pure Life is committed to helping every family adopt daily healthy hydration habits and, ultimately, to giving consumers the assurance that water is an important part of a healthy lifestyle. That's why we bring you Nestlé Pure Life with a light & refreshing taste that the whole family can enjoy and Nestlé Pure Life Protect, which contains zinc, an essential mineral scientifically proven to protect the immune system.

Water is an essential nutrient for our body and has many functions:

- It helps to keep your body at the right temperature,
- It helps to remove waste products from the body,
- It helps to transport nutrients to the cells, (Water is a major component of blood),
- It helps contribute to proper mental function

Live life to the fullest and let your family be at their best.



Our leading brands (contd.)







Top & Middle Left;

a new community water facility for Maderegi village was commissioned in December 2016, which will provide access to safe and clean drinking water for over 1,000 community members

Bottom Left;

Training of teachers in the PWET programme.

Drinking better, living better ...with PURE LIFE®

Community Water Facility:

Following the commissioning of our brand new ultra-modern water factory in Abaji, we commissioned a new community water facility for Maderegi village in December 2016, which will provide access to safe and clean drinking water for over 1,000 community members.

Water Education for Teachers and students (PWET)

In collaboration with the State Universal Education board (SUBEB) and Local Education Authorities (LEA), Nestlé Waters Nigeria launched Water Education for Teachers and students (PWET) in additional 35 schools in 2016 to help teachers raise awareness about water conservation and healthy hydration among school children. To date, we have trained over 8,411 students and 453 teachers in 140 schools in the Lagos, Ogun, Osun and Abaji regions of Nigeria.

These PWET modules have been approved by SUBEB and LEA to be included in the school program to be taught during Basic and Health Science classes in participating schools.



Breakfast is one of the most important meals of the day, if not the most important. It provides the family with energy for the day, to be at their best at work and in school.

Mothers always want their family, especially their children, to eat wholesome and healthy food. But they are not able to do so regularly for a number of reasons - lack of time, resources and information.

Nestlé GOLDEN MORN™ is a nutritious and delicious instant family cereal, that is made from the best quality maize and soya grains, sourced locally with the highest standards. It is rich in protein and is enriched with Vitamin A and Iron, which help

provide energy for work, school and play. It is filling and offers ease and convenience in preparation.

Nestlé GOLDEN MORN™ will continue to delight consumers – of nourishing generations of Nigerians with product innovations with strong NHW credentials that will address their various needs and guarantee nothing less than excellent product experience.

Nestlé GOLDEN MORN™ is available in Maize and Millet variants, in 50g single-serve formats and in bigger pack size formats of 450g, 500g and 1kg.

A great start to your day: breakfast cereals are a convenient tasty and healthy part of a nutritious breakfast for children and adults.



Our leading brands (contd.)



GOLDEN MORN™

...Developing local sourcing responsibly

Our Company strives to source raw materials locally wherever possible. We are committed to increasing the volume of raw materials from 70% that we sourced from the region in 2015.

However, there are many challenges - for example, there may be a lack of local suppliers to supply what we need in terms of quantity and quality. In order to increase the volume of what is locally sourced, we are working wherever possible with existing suppliers to help them match our quality and quantity specifications or developing new suppliers.

Furthermore, with consumers and stakeholders looking for more information about where our ingredients originate, and how they are produced, the sourcing of raw materials, in full compliance with our Responsible Sourcing Guideline, (RSG) criteria, with traceability and transparency throughout our supply chains, has never been more important.

Increase local sourcing – our progressDeveloping local suppliers.

One of the ways we are sourcing agricultural raw materials, is through the **Nestlé Cereals Plan** Project. It was launched in 2008 in Nigeria and Ghana, in collaboration with the Ministries of Agriculture and Rural Development and the International Institute for Tropical Agriculture (IITA) to:

- Improve the quality and safety of grains to meet the increasing demands of Nestlé cereal factories in the region, by reducing the high levels of mycotoxins, a fungal based toxic compound, which can cause serious health problems.
- Reduce the impact of global food shortages on grain cereal quality and prices.
- Lessen the dependence on imported raw materials.
- Improve the overall health of rural communities through the consumption of good quality and safe grains.
- Reduce waste from field to factory.

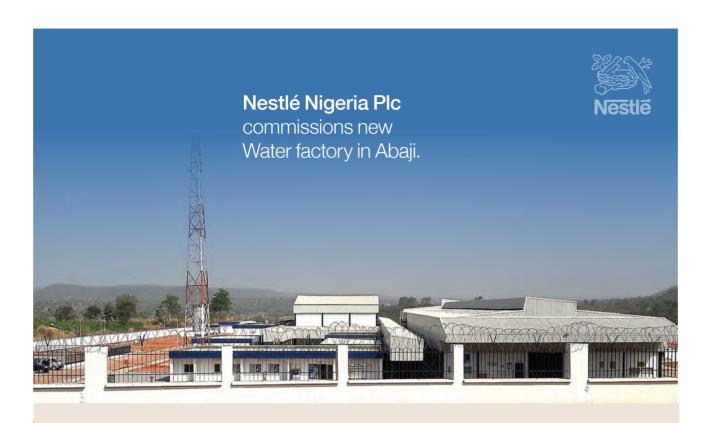
As part of the **Nestlé Cereals Plan**, we are teaching Farmers simple methods through good agricultural and storage practices, to manage grain quality and safety. Since 2013, a mobile cinema has traveled through villages, to screen a soap opera created by Nestle that reinforces the messages that farmers had received during the training.

About 26,000 farmers and their families were trained and educated in 2015 about the health effects of mycotoxins and the measures needed to prevent them. A total of 100% of the maize used in cereal brands Cerelac and Golden Morn is

now sourced locally, thanks to the **Nestlé Cereals Plan**.

List of Distributors

A. D. Basharu And Sons Nigeria	■ E.H.Okika	■ Olayiwola Stores
A. E. Chrismerchants Ltd	■ Ejide Ayinde Enterprise	■ Omofade Ventures
A'alij Merchants Company	■ Elymay Nigeria Limited	■ Puo Assets Ltd
Abdullahi Adamu Dangongola Ventures	■ Emmanuel Bakeries	■ Rapha Micromedis Services
Achida Saidu Usman And Sons	■ Everest Sales & Stores	■ Royal Diamond Investment Limited
Ade Distribution And Investment	■ Fani Imal Maula Nig Ltd	RSL Capital Ventures
Adebukola And Sons Limited	■ Fola Global Ent	■ RSL International Ltd
Adetimehin Intergrated Investment Ltd	■ Franco International West Africa	S C Okafor Nig Ltd
■ Ahmad Karami Ventures	■ Fusaha Ventures	■ Saadu Ali Mai Silifas Nigeria Ltd
■ Ajoke Stores Limited	■ G. N Chukwu Nig Ltd	■ Salihu Usman Matazu And Sons
Al-Wadud Ventures Limited	■ Glomo Integrated Services	■ Sambajo General Enterprises Ltd
Albawa International Inv. Ltd	■ Great Possibilizer	■ Sani Isa
■ Alburhan Rahama General Enterprise	■ Hamir Investment Nig. Ltd	■ Seddt Nigeria Limited
■ Alh Abubakar Zamau	■ Hammersmith Group Of Coys Ltd	■ Sidi & Sons
■ Alh Usman Muazu	■ Igwediebube Nigeria Limited	■ Solid Choice Nig. Ltd.
Alh. A.m.ibrahim Maizare Enterprises	■ Innovation Era	■ Square Bee Four Nig Ltd
■ Alh. Ali Balarabe	■ Iyanu Business Ventures Limited	■ Tivo Corporate Services Intl Ltd
■ Alh. Ibrahim Achida & Sons Ltd	J. J. Nnoli And Sons	■ Toluwani Stores
■ Alh. Rufai Muhammad Nig. Enterprise	J. O Adegboyega Enterprises	■ Viceri Dynamic Investment
Alh.amadu Hussaini & Sons Multi Trade	J. O. Adebiyi And Sons Nigeria	■ W.j. Ukaonu & Sons Nig Ltd
■ Alhaji Garba Dankane Jega	■ Jifatu General Enterprises (Nig) Ltd	■ Wet Sample Enterprises
■ Alhaji Mohammad Monguno	■ Joc Dona Investments Limited	
■ Alhaji Tukur Faru	■ Joe Best Akor Enterprises	
■ Ali Sa'adu Muhammed	JV 901 Nigeria Ltd.	
■ Allanka Nigeria Limited	■ Kaima Integrated Network Ventures	
■ Andyson Investment And Agro Allied	■ Keem David Limited	
■ Ashialin Corporate Shop	■ Kenabasmad General Enterprises	
Ayisagi (Nig) Ltd	■ Kofaj Nigeria Enterprises	
■ Basrose Stores	■ Kwesifin Ventures	
■ Benenison Investment Ltd	■ L'carte Noire Limited	
■ Bijoan Enterprises	■ Lady V Stores	
■ Buba Yaro Mohammed Enterprises	Lilyemman Global Venture	
■ Bukos Ventures	■ Livingspring Bulk Purchase Ltd	
■ Butsun Ratboh Nigeria Limited	■ M. A. Onigbinde And Sons Limited	
■ C I Obioha And Sons	■ Maihadisi Multi Invest Nig Ltd	
■ Cec Global Ventures	■ Makemx Nigeria Limited	
■ Clean Page Intl Ltd	■ Mazek Resources Ltd	
CVC Consult	■ Mjie Enterprises	
■ De Majok	■ Modu Director And Sons Limited	
■ De- Naza Ken Business Enterprise	■ Mut- Keem Concepts	
■ Decapolis Limited	■ Nasiru Abdulhamid Atiku Nigeria	
■ Dei Fille Consult Limited	■ Nortex Business Link	
■ Dokkalhairu Investment	Ochiagha Udo Ventures	
■ Dolat Multi Enterprises	Ojawa Nig Enterprises	
■ E V Okpalaoka And Sons Nig Ltd	■ Olaniyi Badmus Nig Ltd	





On 14th April 2016, Nestlé Nigeria Plc commissioned a new water factory in Abaji within Federal Capital Territory (FCT), 90km from Abuja. Built at a cost of CHF 24 million, the new factory underpins Nestlé's strong belief in the potential of local market and resilience of Nigerian economy inspite of current difficult and volatile business environment.

The new factory will boost local economy, provide employment and support middle level technical manpower through establishment of Nestlé Technical Training Centre (TTC).

The ground breaking ceremony of the TTC took place on the 14th of April, 2016.



Тор;

The new water factory in Abaji within Federal Capital Territory (FCT)

Top Left

The commissioning of the Abaji factory by His Excellency, the Vice President of Nigeria, Prof. Yemi Osinbanjo.

Left;

Members of the Nestlé team with leaders of the host community and the Director General of the National Office for Technology Acquisition and Promotion, Dr. Danazumi Ibrahim.

Shareholder's Data Update

Dear Shareholder(s),

In our quest to update shareholders data with the current technology in the Capital Market (i.e. e-Bonus and e-Dividend), we request you to complete this form with the following information:

Tel No:	
CSCS A/C No:	
Stock Broking Firm:	
E-mail Address:	
Name of Bank:	
Name of Bark.	
Branch of Bank:	
Bank Acct No:	
Branch Code:	
No of Units held:	
Name of Shareholder/Corporate Shareholder and Current Address:	ars' use
Name:	
Signature:	
Date:	
	Signature / Right Thumb print of Shareholder
Name of Company in which you have shares:	
Nestlé Nigeria PIc	
	In case of Corporate Shareholder, use company seal.
Please notify our Registrars, GTL Registrars Limited, of any change in teleph	ione, address and bank whenever it occurs.
Yours faithfully,	
NESTLÉ NIGERIA PLC	
Bode Ayeku	
Bode Ayeku Company Secretary/Legal Adviser	

Please Complete And Return To: GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos.

Affix N50.00 Postage Stamp Here

The Managing Director, GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos Apapa.

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Proxy Form

48 th Annual General Meeting to be held at 11.00 at on Tuesday, 23 May 2017 at the Muson Centre, 8/9 M		gos.			
I/We* k			TI É NIGERIA	A PI C hereby	
appoint** of Meeting as my/our Proxy to act and vote for me/us a	t the Annual Gene	eral Meeting of th	or failing him ie Company t	the Chairman o to be held on	it the
23 May 2017 and at any adjournment thereof.					
Dated thisday of	2017				
Signature					
Ordinary Business			For	Against	
To declare a Dividend					
To re-elect Directors: Mr. Mauricio Alarcon					
Mr. Ricardo Chavez					
To authorise Directors to fix the remuneration of Auditors To elect members of the Audit Committee	i				
Special Business					
To fix the remuneration of Directors					
To authorize the Company to procure goods and service:	S				
necessary for its operations from related companies					
Please indicate with 'X' in the appropriate space how you wisl Unless otherwise instructed, the proxy will vote or abstain/ fro			set out above.		
NOTES: Please sign this form and post it to reach the address overleath this form should be sealed with its common seal. *Shareholder's name to be inserted in BLOCK LETTERS pleatomplete this form, but the names of all joint holders must be **Following the normal practice, the Chairman of the meeting be at the Meeting to act as your proxy, but you may insert in the total total the Meeting and vote of the Company or not, who will attend the Meeting and vote of A member voting in his own right as a member and also voting should fill one voting paper for his own holding and a separate Similarly, those present who are acting as proxy for more than for each member they represent.	inserted. has been entered on the blank space the nation your behalf insteading as proxy or represers appear for each of the	nareholders, anyone the form to ensure the me of any person, w tative for another or members he is repr	of such may nat someone will whether a member other members resenting.	er	
NESTLÉ NIGERIA PLC 48TH ANNUAL GENERAL	MEETING				• • • •
					ı
Please admit the shareholder on this form or his/her duly appointed proxy to the Annual General Meeting to be held at the MUSON Centre, 8/9 Marina, Onikan, Lagos at 11.00 a.m. on Tuesday, 23 May 2017. Name of Shareholder		Shareholder	's Admissio	on Form	
		Note: This form should be completed, signed, torn off and produced by the shareholder or			
Number of shares held		his/her duly appointed proxy in order to gain entrance to the venue of the meeting.			
		Bode Ayeku			



Signature of person attending

Company Secretary/Legal Adviser

Affix N50.00 Postage Stamp Here

The Managing Director, GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos Apapa.

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Nestlē.

Bode Ayeku Company Secretary / Legal Adviser

Signature and Date

Electronic Delivery Mandate Form

Dear Sir/Madam.

To enable you receive your Annual Reports promptly, your company wishes to introduce electronic delivery of Annual Reports and Accounts, Proxy Forms and other statutory documents to shareholders.

With this service, instead of receiving the hard copy of our Annual Report and other corporate documents in future, you can elect to receive a soft copy of the Annual Report, Proxy Form, through the electronic link to be forwarded to your email address or opt to receive the soft copy (Compact Disk) of the Annual Report by post.

Please complete this self- addressed form to capture your preference and return the completed form to:

The Managing Director GTL Registrars Limited, 274 Murtala Muhammed Way, Alagomeji, Yaba, Lagos, P. M.B. 12717, Lagos Apapa.

or any of their branches nationwide.

to Shareholders by electronic means"

Name (Surname first)

I,	
OF HEREBY AGREE TO THE	ELECTRONIC DELIVERY OF
ANNUAL REPORT, PROXY FORM, PROSPECTUS, NEWSLETTER AND STATUTORY DOCUME TO ME, THROUGH:	NTS OF NESTLÉ NIGERIA PL
PLEASE TICK <u>ONE</u> OPTION ONLY	
ELECTRONIC COPY VIA A COMPACT DISK (CD) SENT TO MY POSTAL AD OR	
I WILL DOWNLOAD FROM THE WEB ADDRESS FORWARDED TO MY E-M.	AIL ADDRESS STATED BELOV
MY EMAIL ADDRESS:	
DESCRIPTION OF SERVICE:	
By enrolling in electronic delivery service, you have agreed to receive future announcements/share stated above by E-mail/Compact Disc (CD)/Internet Address (URL). These materials can be made either semi annually or annually. Annual Report, Proxy Form, Prospectus and Newsletters are exar communication that can be made available to you electronically. The subscription enrollment will be Nestlé Nigeria Plc on an on-going basis unless you change or cancel your enrollment.	available to you electronically, nples of shareholders
This initiative is in line with our determination to help protect our planet's environment, and the con-	solidated SEC rule 128 (6) of

September 2011 which states that "A Registrar of a public company may dispatch Annual Reports and Notices of General Meetings



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