Nestlé Nigeria Plc

Unaudited Condensed Interim Financial Statements -- 30 June 2012

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Directors, Officers and Professional Advisers

Board of Directors:	Chief Olusegun Osunkeye	-	Chairman
	Mr. Martin Woolnough (Australian)	-	Managing Director/Chief Executive
	Mr. Martin Kruegel (German)		
	Mrs. Iquo Ukoh		
	Mr. Etienne Benet (French)		
	Mr. Frederic Duranton (French)		
	Mr. David Ifezulike		
	Dr. Fiama Mshelia		
Company Secretary/ Legal Manager:	Mr. Bode Ayeku		
Registered Office:	22-24, Industrial Avenue Ilupeju, Lagos Tel: 01 – 2798184, 2798188, 2790707		
Registrars:	Union Registrars Limited 2, Burma Road, Apapa, Lagos Tel: 5803369, 5451399, 5803367		
Auditors:	KPMG Professional Services KPMG Towers Bishop Aboyade Cole Street, Victoria Island, Lagos Tel: 01 – 2718955		
Members of the Audit Committee:	Mr Matthew Akinlade Alhaji Kamorudeen Danjuma Mr. Christopher Nwaguru Dr. Fiama Mshelia Mr. Martin Kruegel (German) Mr. David Ifezulike		

Directors' Report

For the period ended 30 June 2012

1. **Financial Statements**
The directors present their annual report on the affairs of Nestlé Nigeria Plc ("the Company") together with the financial statements and the auditor's report for the period ended 30 June 2012.

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 and west Africa

3. **Operating Results**
The following is a summary of the Company's operating results:

.	Half year **June 2012**	Half year **June 2011**	Full year **Dec 2011**
Revenue	56,678,689	44,621,442	97,258,870
Result from operating activities	12,209,039	9,314,257	20,983,801
Profit before tax	11,517,834	9,271,319	18,371,167
Profit after tax	9,845,029	6,493,649	16,640,262

4. **Directors and Their Interests**

(a) The directors who served during the period and their interests in the shares of the Company at the end of Reporting period 30 June 2012 were as follows:

			Interest in the Ordinary Shares of the Company	
			2012	2011
Chief Olusegun Osunkeye	-	Chairman	300,000	300,000
Mr. Martin Woolnough (Australian)	-	MD/CEO	Nil	Nil
Mr. Martin Kruegel (German)			Nil	Nil
Mr. Etienne Benet (French)			Nil	Nil
Mr. Frederic Duranton (French)			Nil	Nil
Mrs. Iquo Ukoh			37,500	37,500
Mr. David Ifezulike			76,255	76,255
Dr. Fiama Mshelia			3,750	3,750

(b) In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.

5. **Fixed Assets**

Information relating to changes in fixed assets is disclosed in Note 11 to the financial statements.

6. **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.

7. **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.

8. **Major Distributors**

The Company's products are distributed through various distributors that are spread across the whole country.

9. **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.

10. **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 agreement was made with the approval of the National Office for Technology Acquisition and Promotion.

11. **Acquisition of Own Shares**

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

12**. Remuneration Committee**

The remuneration committee, which consists of three directors namely Messrs Etienne Benet, Frederic Duranton, and Chief Olusegun Osunkeye, were appointed by the Board of Directors to submit recommendations on the salaries of executive directors to the Board for approval.

13. **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 26 April 2012. Members that served on the audit committee during the year comprise:

Mr Matthew Akinlade	Shareholders'	Representative
Alhaji Kamorudeen Danjuma	Shareholders'	``
Mr. Christopher Nwaguru	Shareholders'	``
Dr. Fiama Mshelia	Directors'	``
Mr. David Ifezulike	Directors'	``
Mr. Martin Kruegel (German)	Directors'	``

15 **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 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.

BY ORDER OF THE BOARD
Bode Ayeku
Company Secretary/Legal Manager
22-24, Industrial Avenue
Ilupeju,
Lagos.

Date

Condensed statements of financial position

In thousands of naira	*Note*	30 June 2012	31 Dec. 2011	1 Jan. 2011
Assets				
Property, plant and equipment	11	57,256,274	55,042,771	40,069,664
Intangibles assets	12	79,043	131,737	237,128
Long term debtors		-	-	-
Deferred tax asset		-	-	-
Total non-current assets		57,335,317	55,174,508	40,306,792
Inventories	13	11,802,516	9,902,238	8,494,039
Trade and other receivables	14	12,853,724	10,727,544	8,127,492
Prepayments		612,070	255,137	391,090
Cash and cash equivalents		1,112,508	1,069,888	3,092,702
Assets classified as held for sale		-	-	126,879
Total current assets		26,380,818	21,954,807	20,232,202
Total Assets		83,716,135	77,129,315	60,538,994

The notes on pages 13 to 36 are an integral part of these financial statements.

Condensed statements of financial position (continued)

In thousands of naira	*Note*	30 June. 2012	31 Dec. 2011	1 Jan. 2011
Equity				
Share capital		396,328	396,328	330,273
Share premium		32,262	32,262	32,262
Reserves		-	-	-
Retained earnings		24,625,425	22,811,308	14,418,331
Total equity		25,054,015	23,239,898	14,780,866
Liabilities				
Loans and borrowings – Long term		28,724,106	26,474,466	22,508,204
Other long term employee benefits		960,450	876,096	808,777
Provisions			-	-
Deferred tax liabilities		3,229,737	3,118,712	2,985,848
Total non-current liabilities		32,914,293	30,469,274	26,302,829
Bank overdraft		1,337,239	4,952,831	3,303,139
Current tax liabilities		3,738,460	2,375,385	4,817,090
Loans and borrowings – Short term	17	1,469,474	1,827,586	95,238
Trade and other payables		18,067,384	13,047,091	10,216,116
Provisions		1,135,270	1,217,250	1,023,716
Total current liabilities		25,747,827	23,420,143	19,455,299
Total liabilities		58,662,120	53,889,417	45,758,128
Total equity and liabilities		83,716,135	77,129,315	60,538,994

The notes on pages 13 to 36 are an integral part of these financial statements.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

______________________________________)
) Directors
______________________________________)

These financial statements were approved by the Board of Directors on 24th July 2012.
The notes on pages 13 to 36 form an integral part of these financial statements.

Condensed statement of comprehensive income

For the three months ended 30 June

In thousands of naira	*Note*	Jun-12	Jun-11	Dec. 2011
Revenue	8	56,678,689	44,621,442	97,258,870
Cost of sales		(33,189,504)	(25,582,851)	(57,168,,571)
Gross profit		23,489,185	19,038,591	40,090,299
Other income	9			
Distribution expenses		(8,639,178)	(7,272,833)	(14,525,641)
Administrative expenses		(2,640,968)	(2,451,501)	(4,580,857)
Other expenses				
Results from operating activities		12,209,039	9,314,257	20,983,801
Finance income	10	662,923	696,498	726,148
Finance costs	10	(1,354,128)	(739,436)	(3,338,782)
Net loss on foreign exchange transactions				
Net finance costs		(691,205)	(42,938)	(2,612,634)
Profit before income tax	11	11,517.834	9,271,319	18,371,167
Income tax expense	9	(1,672,805)	(2,777,670)	(1,730,905)
Profit for the year		9,845,029	6,493,649	16,640,262
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	-	-
Profit attributable to:				
Owners of the Company		9,845,029	6,493,649	16,640,262
Profit for the year		9,845,029	6,493,649	16,640,262
Earnings per share				
Basic earnings per share (kobo)				
Diluted earnings per share (kobo)				

The notes on pages 13 to 36 are an integral part of these financial statements.

Condensed statement of changes in equity

Attributable to equity holders of the Company

In thousands of naira	***Notes***	**Share Capital**	**Share premium**	**Retained earnings**	**Total equity**
Balance at 1 January 2011		330,273	32,262	14,418,331	14,780,866
Total comprehensive income for the period					
Profit for the period		-	-	16,640,262	16,640,262
Transactions with owners, recorded directly in equity					
Dividends to equity holders (NET)		-	-	(8,181,230)	(8,181,230)
Bonus Issue		66,055	-	(66,055)	-
Balance at 31 December 2011		**396,328**	**32,262**	**22,811,308**	**23,239,898**
Balance at 1 January 2012		396,328	32,262	22,811,308	23,239,898
Total comprehensive income for the period					
Profit for the period		-	-	9,845,029	9,845,029
Transactions with owners, recorded directly in equity					
Dividends to equity holders 2011 final (NET)		-	-	(8,030,912)	(8,030,912)
Unclaimed dividend		-	-	-	-
Balance at 30 June 2012		396,328	32,262	24,625,425	25,054,015

The notes on pages 13 to 36 are an integral part of these financial statements.

Condensed statement of cash flows

For the three months ended 30 June 2012

In thousands of naira	*Note*	June 2012	June 2011
Cash flows from operating activities			
Profit for the period		9,845,029	6,493,649
Adjustments for:			
Depreciation	11	1,890,604	1,212,497
Amortization of intangible assets	12	52,696	52,696
Gain/(loss) on foreign exchange transactions		59,606	181,116
Impact of foreign exchange difference on intercompany loans		(59,606)	(181,116)
Net finance costs	10	691,205	42,938
Interest expense on intercompany loan not yet paid		-	-
Provision for gratuity and other long term employee benefits		216,332	-
Loss on sale of property, plant and equipment		11,230	137,309
Proceeds from the sale of fixed assets not yet received		-	-
Income tax expense	9	1,672,805	2,777,670
		14,379,901	10,716,759
Change in long term debtors		-	-
Change in inventories		(1,900,278)	(946,530)
Change in trade receivables and other receivables		(2,374,939)	(1,777,253)
Change in prepayments		(356,933)	(635,683)
Change in foreign currencies purchased for imports		248,759	-
Change in trade and other payables (excluding dividend payable)		6,415,292	(1,250,808)
Change in provisions		(81,980)	1,341,423
Cash generated from operating activities		16,329,822	7,447,908
VAT paid		(1,211,479)	(1,496,397)
Other long term employee benefit paid		(131,978)	-
Income tax paid		(198,705)	-
Net cash from operating activities		14,787,660	5,951,511
Cash flows from investing activities			
Finance income		662,923	696,498
Proceeds from sale of property, plant and equipment		3,691	-
Acquisition of subsidiary, net of cash acquired		-	-
Acquisition of property, plant and equipment		(4,302,550)	(7,184,756)
Acquisition of intangible assets		-	-
Net cash used in investing activities		(3,635,936)	(6,488,258)

Statement of cash flows (continued)

For the six months ended 30 June 2012

In thousands of naira	*Note*	2012	2012
Cash flows from financing activities			
Proceeds from loans obtained		2,249,640	6,444,248
Repayment of borrowings		(358,112)	(904,762)
Finance cost		(1,354,128)	(739,436)
Dividends paid		(8,030,912)	(8,289,863)
Net cash used in financing activities		**(7,493,512)**	**(3,489,813)**
Net decrease in cash and cash equivalents		3,658,212	(4,026,560)
Cash and cash equivalents at January 1,2012		(3,882,943)	3,092,702
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 30 June		(224,731)	(933,858)

The notes on pages 13 to 36 are an integral part of these financial statements.

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Notes to the financial statements

1. **Reporting entity**

Nestlé Nigeria Plc ("the Company") is a company domiciled in Nigeria. The address of the Company's registered office is 22-24, Industrial Avenue, Ilupeju, Lagos. The Company is a public Company 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 and West Africa.

The financial statements of the Company as at and for the period ended 30 June 2012, which were prepared under the International financial reporting standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, are available upon request from the Company's registered office.

2. **Basis of preparation**

(a) *Basis of measurement*

The condensed interim financial statements have been prepared on the historical cost basis.

(b) *Functional and presentation currency*

These condensed interim 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.

(c) *Use of estimates and judgement*

The preparation of interim financial statements 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those that apply to the first annual IFRS financial statements.

Except as described below, the accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statement as at and for the year ended 31 December 2011.

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS statement of financial position at 1 January 2011 for the purposes of the transition to IFRSs, unless otherwise indicated.

a) Foreign currency

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. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b) Financial instruments

I. Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) 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.

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 realize the asset and settle the liability simultaneously.

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

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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

II. Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) 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.

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.

The Company has the following non-derivative financial liabilities: loan and borrowings, bank overdrafts, intercompany payables and 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.

Bank overdrafts that are payable 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.

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 was determined by reference to a previous GAAP revaluation (carried out on 30 June 1992). The Company elected to apply the optional exemption to use this previous revaluation as deemed cost at 1 January 2011, the date of transition (See note 33(a)).

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.

Cost also includes transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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 net within other income in profit or loss.

II. Subsequent costs

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

III. Depreciation

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

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

The estimated useful lives for the current and comparative periods are as follows:

- land – Over lease period/99 years, whichever is lower
- buildings – 25 years
- plant and machinery – 10 – 25 years
- motor vehicles – 5 years
- furniture and equipment – 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.

d) Intangible assets

I. Software

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

II. Subsequent expenditure

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

III. Amortisation

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

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

- Computer software – 5 years

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

e) Leased assets

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

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

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. 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

Weighted average cost is reviewed periodically to ensure it consistently approximates historical cost.

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

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

g) Impairment

I. Financial assets (including receivables)

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

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

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

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

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

II. Non-financial assets

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

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

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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

h) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re measurment are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

i) Employee benefits

I. *Defined contribution plans*

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

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

1. <u>Defined contribution gratuity scheme</u>

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

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

2. Pension fund scheme

In line with the provisions of the Pension Reform Act 2004, 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 ranges between 8.3% and 12.5% for management and non-management staff respectively while employees contribute 7.5% of their insurable earnings (basic, housing and transport).

II. Other long term employee benefits - long service awards

Long service awards accrue to employees based on graduated periods of uninterrupted service. These benefits are accrued 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. Actuarial gains or losses arising are charged to the profit and loss account 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

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

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

j) Provisions

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

k) 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. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and included in finance income.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that 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.

l) Government grants

Unconditional government grants relating to export sales are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

m) Finance income and finance costs

Finance income comprise of interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise of interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets as well as the devaluation on foreign denominated loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

n) 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 taxation 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.

o) Earnings per share

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

p) 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 Chief Executive Officer (CEO) 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 CEO 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.

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

q) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

4. **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.

a) Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) 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.

5. **Financial risk management**
The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

The 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 the Audit Committee.

- **Credit risk**

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

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

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. More than 70 percent of the Company's customers have been activated on this financing scheme for over two years and no losses has occurred since then.

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 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.

- **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.

- **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 manage 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.

- **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 the currency rates on an ongoing basis. The Company has measures 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.

- **Interest rate risk**

The Company adopts a policy of ensuring that 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 checked against the ruling LIBOR rates to hedge the risk arising from interest rates.

- **Operational risk**

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

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

The primary responsibility for the development and implementation of controls to address operational 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 independent 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.

- **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.

There were no changes in the Company's approach to capital management during the three month period ended 30 June 2012. The Company is not subject to externally imposed capital requirement.

6. Operating segments

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 CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

Segment	Description
Food	This includes the production and sale of Maggi, Cerelac, Nutrend, Nan, Lactogen and Golden Morn
Beverages	This includes the production and sale of Milo, Milo Ready to Drink, Chocomilo, Nido, Nescafe and Nestlé Pure Life.

The accounting policies of the reportable segments are the same as described in notes 2 and 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 CEO. 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. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segment

For the three months ended 30 June

In thousands of naira	**Food**		**Beverages**		**Unallocated**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
External revenues	34,009,869	27,794,696	22,668,820	16,826,746			56,678,689	44,621,442
Interest income					662,923	696,498	662,923	696,498
Interest expense					(1,354,128)	(739,436)	(1,354,128)	(739,436)
Depreciation and amortisation	(1,171,771)	(788,089)	(771,529)	(477,105)			(1,943,300)	(1,265,194)
Net Finance Cost					(691,205)	(42,938)	(691,205	(42,938)
Reportable segment profit before income tax	6,945,024	5,775,105	4,572,810	3,496,214			11,517,834	9,271,319

Reconciliation of reportable segment profit or loss

For the six months ended 30 june *In thousands of naira*	**2012**	**2011**
Profit or loss		
Total profit or loss for reportable segments	11,517,834	9,271,319
Unallocated amounts;		
Net finance income/(cost)	(691,205)	(42,938)
Profit before income tax	11,517,834	9,271,319

7. **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:

8. **Profit before taxation**

Profit before taxation is stated after charging:

In thousands of naira	***Note***	**2012**	**2011**
Depreciation of property, plant and equipment		1,890,604	739,436
Personnel expenses		3,538,608	2,731,628
Loss on property, plant and equipment disposed		11,230	88,845
Gain/(Loss) on foreign exchange transactions		59,606	181,116
General license fees		2,024,601	1,696,679

9. **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	***Note***	**2012**	**2011**
Current tax expense			
Current period income tax		1,472,024	2,604,066
Current period education tax		200,781	173,604
Additional provision for tax exposures		-	-
Adjustment for prior periods		-	-
		1,672,805	2,777,670

10. **Finance income and finance cost**

Interest income represents income earned on bank deposits while interest expense represents charges paid on loans and overdraft facilities utilised during the year.

In thousands of naira	***Note***	**2012**	**2011**
Interest income on bank deposits		89,276	72,436
Interest income on loan re measurement		296,591	331,942
Interest income on financed revenue		277,056	292,120
Net foreign exchange gain			-
Finance Income		**662,923**	**696,498**
Interest expense on financial liabilities measured at amortised cost		(1,294,522)	(558,320)
Net foreign exchange loss 2012		(59,606)	(181,116)
Finance costs		**(1,354,128)**	**(739,436)**
Net Finance costs		**(691,205)**	**(42,938)**

11. Property, plant and equipment

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

In thousands of naira	Notes	Land and Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	IT Equipment	Capital Work in Progress	Total
Cost or deemed cost								
Balance at 1 January 2011		3,574,242	19,132,402	709,423	2,062,172	599,497	22,485,416	48,563,152
Additions		3,015,010	2,655,203	390,759	431,637	94,178	11,475,350	18,062,137
Disposals		(13,745)	(868,880)	(21,998)	(130,836)	(28,642)	-	(1,064,101)
Transfers		9,798,730	9,153,594	-	1,017,482	148,367	(20,118,173)	-
Balance at 31 December 2011		16,374,237	30,072,319	1,078,184	3,380,455	813,400	13,842,593	65,561,188
Balance at 1 January 2012		16,374,237	30,072,319	1,078,184	3,380,455	813,400	13,842,593	65,561,188
Additions		309,564	76,208	121	37,007	16,696	3,862,954	4,302,550
Disposals		(493)	(89,279)	(12,662)	(71,438)	(851)	-	(174,723)
Transfers		577,484	1,598,861	111	327,997	22,267	(2,526,720)	-
Balance at 30 June 2012		17,260,792	31,658,110	1,065,754	3,674,021	851,512	15,178,827	69,689,015
Depreciation and impairment losses								
Balance at 1 January 2011		879,170	5,584,545	386,909	1,142,581	500,283	-	8,493,488
Depreciation for the year		330,860	1,944,310	137,132	457,519	98,641	-	2,968,462
Disposals		(16,517)	(566,467)	(19,476)	(128,909)	(28,642)	-	(760,011)
Balance at 31 December 2011		1,193,513	6,962,388	504,565	1,471,191	570,282	-	10,701,939
Balance at 1 January 2012		1,193,513	6,962,388	504,565	1,471,191	570,282	-	10,701,939
Depreciation for the period		244.125	1,180,451	87,667	314,801	63,560	-	1,890,604
Disposals		(472)	(80,307)	(11,204)	(66,968)	(850)	-	(159,802)
Balance at 30 June 2012		1,437,166	8,062,532	581,028	1,719,024	632,992	-	12,432,741
Carrying amounts								
At 1 January 2011		2,695,072	13,547,857	322,514	919,591	99,214	22,485,416	40,069,664
At 31 December 2011		15,180,724	23,109,931	573,619	1,909,264	243,118	13,842,593	54,859,249
At 1 January 2012		15,180,724	23,109,931	573,619	1,909,264	243,118	13,842,593	54,859,249
At 30 June 2012		15,823,626	23,595,577	484,726	1,954,997	218,520	15,178,827	57,256,274

12. **Intangible assets**

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

In thousands of naira	**_Note_**	**Software**
Cost		
Balance at 1 January 2011		526,951
Acquisitions – internally developed		-
Disposals		-
Transfers		-
Balance at 31 December 2012		526,951
Balance at 1 January 2012		526,951
Acquisitions – internally developed		-
Disposals		-
Transfers		-
Balance at 30 June 2012		526,951
Amortisation and impairment losses		
Balance at 1 January 2011		289,823
Amortisation for the year		105,390
Impairment loss		-
Disposals		-
Balance at 31 December 2011		395,213
Balance at 1 January 2012		395,213
Amortisation for the period		52,695
Impairment loss		-
Disposals		-
Balance at 30 June 2012		447,908
Carrying amounts		
At 1 January 2011		237,128
At 30 June 2012		131,738
At 1 January 2012		131,738
At 30 June 2012		79,043

13. Inventories

In thousands of naira	2012	2011	1 January 2011
Raw and packaging materials	4,763,011	3,933,986	4,061,007
Product in process	618,564	594,860	393,036
Finished products	5,252,223	3,494,175	2,224,034
Engineering spares	1,119,106	1,068,163	741,337
Goods in transit	49,612	811,054	1,074,625
	11,802,516	9,902,238	8,494,039

14. Trade and other receivables

In thousands of naira	*Note*	2012	2011	1 January 2011
Trade receivables		6,593,535	4,843,331	4,970,206
Loans to key management personnel		-	-	-
Staff loans and advances		1,373,144	876,680	883,026
Due from related parties		1,031,185	1,340,992	30,608
Advance payment to suppliers		2,091,116	878,140	990,666
Other receivables		956,886	1,303,218	263,895
Foreign currencies purchased for imports		807,858	1,056,617	77,805
Advance payments to contractors		-	428,566	911,286
		12,853,724	10,727,544	8,127,492
Non-current		-	-	-
Current		12,853,724	10,727,544	8,127,492
		12,853,724	10,727,544	8,127,492

15. **Amounts due to related companies**

The Company has a general licence agreement with Societe Des Produits Nestlé S.A., Nestec S.A. and Nestlé S.A. (the ultimate holding company) 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.

Amounts due to other related companies represent balances due on current accounts maintained with companies in the Nestlé Group for the importation of fixed assets, raw materials, finished goods and services. Amounts due to related companies are analysed as follows:

	2012	2011
	₦'000	₦'000
Nestlé Cote D'Ivoire Plc	317,812	498,487
Nestlé S A	306,071	
Nestlé Suisse	38,396	
Nestlé Ghana Limited	315,280	272,392
Nestlé World Trade Corporation Limited	1,021,871	1,573,594
Nestlé Globe Centre AOA	164,781	130,483
Nestlé Nederland	529,428	
Nestlé France Limited	325,415	249,092
Nestlé Cameroun	115,483	
Nestlé Products Sdn Bhd Malaysia	-	102,304
Nestle Manufacturing (Malaysia)	39,835	36,630
Nestlé Deutschland	20,308	33,335
Societe Des Produits Nestlé S.A	659,941	577,139
Nestlé Central and West Africa Ltd	5,482,556	188,447
CPW France	166,210	-
Nestlé Treasury Centre-Middle East & Africa Ltd	233,104	227,715
Nestlé Chile S.A	7,105	
Nestlé Pakistan	2,983	
Nestlé Product Technology Centre	40,658	
Nestlé Senegal	3,107	
Others	50,983	38,283
	9,841,327	3,927,901

16 **Amounts due from related companies**

Amounts due from related companies represent balances due on current accounts maintained with companies in the Nestlé Group for the exportation of raw materials, finished goods and services. Amounts due from related companies are analysed as follows:

	2012	2011
	₦'000	₦'000
Nestlé Cameroun	32,127	25,418
Nestlé Senegal	-	42,500
Nestlé Niger	125,975	69,154
Nestlé Cote D'Ivoire	87,332	90,946
Nestlé Ghana	361,542	455,305
Nestlé Togo	168,958	642,502
Nestle Guinee	248,823	
Others	6,428	15,167
	1,031,185	1,340,992

17. **Loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

In thousands of naira	**2012**	**2011**	**1 January 2011**
Non-current liabilities			
Secured bank loans	9,086,959	8,799,015	8,086,585
Loans from related party	19,637,147	17,675,450	14,421,618
	28,724,106	26,474,465	22,508,203
Current liabilities			
Current portion of secured bank loans	1,469,474	1,827,586	95,238
Current portion of loans from related party		-	-
	1,469,474	1,827,586	95,238

(a) Two loan facilities of US $54million and US $40million were made available to the Company in 2008 by Nestlé Treasury Centre – Middle East & Africa Limited, a Nestlé Group Company based in Dubai for general corporate purposes. Both facilities have been fully drawn down as at end of prior year.

Both loans have tenures of 7 years (inclusive of a moratorium period of 2 years on interest payments only) commencing from March 2008 and December 2008 respectively. These facilities, which are unsecured, attract interest at 6 months USD LIBOR plus a margin of 150 basis points and 300 basis points respectively. The principal repayments become payable at the end of the seven year tenure for both loans.

(b) A loan facility of US $ 26 million which was also made available to the company in 2011 by Nestle Treasury Centre. The loan has a tenure of 7 (inclusive of a moratorium period of 2 years on interest payments only) commencing from October 2011. The facility which is unsecured attracts interest at 6 months USD LIBOR plus a margin of 300 basis points. The facility has been fully drawn down as at end of June 2012.

18. **Deferred taxation**

The movement on the deferred tax account was as follows:

	2012	2011
	₦'000	₦'000
Balance, beginning of year	3,118,712	2,985,848
Charged/(credited) to profit and loss account	111,025	132,864
Balance, end of year	3,229,737	3,118,712

19. **Provision for other long term employee benefits**

The movement on provision for other long term employee benefits was as follows:

	2012	2011
	₦'000	₦'000
Balance, beginning of year	876,096	712,666
Charged to profit and loss	216,332	308,300
Payments during the year	(131,978)	(144,870)
Balance, end of year	960,450	876,096

20. **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.

The activities of NNTL are, since 2006, regulated by the National Pension Commission (PENCOM) when PENCOM approved the issuance of the relevant license to NNTL. The benefit arising from the activities of NNTL accrue principally to members of the pension and gratuity schemes and the Company's residual interest in NNTL is immaterial.

21. **Export to affiliate companies**

Included in the reported turnover is an export of finished goods amounting to ₦1,018Mio to some Nestle Affiliate companies.