

Nestlé Nigeria Plc

Unaudited Financial Statements

for the period ended 31 March 2020

Contents

	Page
Corporate Information	1
Financial Highlights	2
Directors' Report	3
Statement of Directors' Responsibilities	13
Statement of Profit or loss and Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18

Corporate information

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

Corporate information

Financial Highlights

In thousands of naira

	<u>2020</u>	<u>2019</u>	<u>Increase/ (decrease) %</u>
Revenue	70,329,350	70,966,754	-1%
Profit before income tax	17,454,872	19,121,202	-9%
Profit for the period	11,195,394	12,846,321	-13%
Declared dividend	-	-	0%
Share capital	396,328	396,328	0%
Total equity	56,673,032	62,957,772	-10%

Corporate information

1 Financial Statements

The directors present their report on the affairs of Nestlé Nigeria Plc ("the Company"), together with the financial statements for the period ended 31 March 2020.

2 Principal Activities

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

3 Operating Results

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

	2020	2019
	N'000	N'000
Revenue	70,329,350	70,966,754
Results from operating activities	17,537,558	19,086,552
Profit before income tax	17,454,872	19,121,202
Profit for the period	11,195,394	12,846,321
Total comprehensive income for the period	11,195,394	12,846,321

4 Directors and Their Interests

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

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

- (b) Mr. Gbenga Oyebode is the Chairman of CFAO Nigeria Plc, one of our vehicle suppliers. In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, he has notified the Company of his position with CFAO Nigeria Plc.
- (c) No share options were granted to the directors by Nestlé Nigeria Plc. However, Nestlé S. A., the ultimate parent company has a share based payment scheme offered to certain key management personnel including certain directors of the Company. Information relating to this share based payment scheme is disclosed in Note 15c to the financial statements.

Corporate information

5 Records of Directors' Attendance

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

6 Analysis of Shareholdings

			Number of <u>shareholders</u>	%	Number of <u>shares</u>	%
1	-	5,000	26,101	89.08	21,170,450	2.67
5,001	-	10,000	1,575	5.38	10,806,188	1.36
10,001	-	50,000	1,256	4.29	25,052,767	3.16
50,001	-	100,000	162	0.55	11,403,414	1.44
100,001	-	500,000	139	0.47	30,532,187	3.85
500,001	-	1,000,000	28	0.10	20,033,834	2.53
1,000,001	-	5,000,000	31	0.11	69,339,960	8.75
5,000,001		10,000,000	6	0.02	40,837,863	5.15
10,000,001		and above	3	0.01	38,920,132	4.91
	-		<u>29,301</u>	<u>100.00</u>	<u>268,096,795</u>	<u>33.82</u>
Nestlé S.A, Switzerland *			<u>1</u>	<u>0.00</u>	<u>524,559,457</u>	<u>66.18</u>
			<u>29,302</u>	<u>100.00</u>	<u>792,656,252</u>	<u>100.00</u>

* Apart from Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18%) and Stanbic IBTC Nominees Limited with 7.22%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 March 2020.

7 Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 9 to the financial statements.

8 Donations

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

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

Corporate information

9 Nestlé Nigeria Trust (CPFA) Limited (“NNTL”)

Nestlé Nigeria Trust (CPFA) Limited (‘NNTL’) previously called Nestlé Nigeria Provident Fund Limited, was incorporated by the Company and is a duly registered Closed Pension Fund Administrator whose sole activity is the administration of the pension and defined contribution gratuity scheme for employees of Nestlé Nigeria Plc.

10 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.

11 Major Distributors

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

12 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.

13 General Licence Agreement

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

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

14 Acquisition of Own Shares

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

Corporate information

15 Employment and Employees

(a) **Employment of physically challenged persons:**

It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. The Company had 17 (2019: 18) physically challenged persons in its employment as at 31 March 2020.

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

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

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

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

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

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

Corporate information

(c) **Employees involvement and training:**

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

Circulars and newsletters on significant corporate issues are published. Regular briefing sessions are also held at corporate and operational levels to enhance exchange of information.

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external and overseas training for its employees. This has broadened opportunities for career development within the organisation.

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

The content of the course was based on the syllabus of City and Guilds of London Technicians Examinations Certificates in Engineering, one of the world's leading vocational education organizations. To empower the trainees with relevant skills, the top five (5) students in the scheme were taken to Switzerland for further training within the Group's factories. In order to reduce unemployment, a total of sixty-eight (68) graduates made up of eight (8) of the thirteen (13) graduates from the first batch, thirteen (13) graduates from the second batch, all the twenty (20) graduates from the third batch and twenty-seven graduates (27) graduates from the fourth and fifth batches were given employment by our Company. The other eleven (11) graduates are in full time employment with other organizations.

The sixth batch of twenty students in Agbara factory comprising ten (10) males and ten (10) females and seventh batch of twenty students in Abaji factory comprising of 16 males and 4 females were admitted into the training school in July 2019 and January 2020 respectively for another 18 months programme.

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

16 Nomination, Governance and Remuneration Committee

Composition of Board Committees

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

Corporate information

17 Audit Committee

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

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

18 Board Audit and Risk Management Committee

The Committee is to assist the Board in its oversight of audit, risk profile, risk management framework and the risk reward strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile. The members of the Committee are Mr. Oyeboode, Mr. Chavez and Mrs. Juliet Ehimuan.

19 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.

20 Disclosures

a) 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.

Corporate information

b) 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.

c) Related Party Transactions

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

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

Corporate Business Principles

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

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

(a) Nutrition, Health and Wellness

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

(b) Quality Assurance and Product Safety

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

(c) Consumer Communication

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

(d) Human Rights in Our Business Activities

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

Corporate information

(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 the Company provides medical care to employees and direct dependants under a medical care scheme using the Health Insurance platform, which allows access to care for those in scope anywhere in the country. Efforts are being made by the Management and the Safety, Health and Environment Officers at the various sites to avoid industrial accidents through increased training on safety to both staff and contractors. The target of the Company is to ensure that there is no major accident.

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

(g) Supplier and Customer Relations

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

Corporate information

(h) Agriculture and rural development

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

(i) Environmental sustainability

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

We invest continuously to improve our environmental performance. The Nestlé Policy on Environmental Sustainability incorporates the United Nations Global Compact's three guiding principles on environment (Principle 7 on support for precautionary approach to environmental challenges; Principle 8 on the need to undertake initiatives to promote environmental responsibility and Principle 9 on the need to encourage the development and diffusion of environmentally friendly technologies). Our four priority areas are: water, agricultural raw materials, manufacturing and distribution of our products and packaging. We implement our policy through the Nestlé Environmental Management System. We believe that environmental performance is a shared responsibility and requires the cooperation of all parts of society. We are determined to always provide leadership within our sphere of influence.

(j) Water

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

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

As at 31 March 2020, the staff strength of the Company was 2237 (2019: 2,200). Our employees are made up of male and female from different parts of the country. Every employee is given equal opportunity for promotion purely on the basis of merit. We provide both experienced based learning and classroom trainings in Nigeria and overseas. Presently, we have 17 (2019: 13) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland and Senegal in order to give them the required exposure to enable them take up higher responsibilities.

(l) Bribery and corruption

We condemn any form of bribery and corruption. Our employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private. Nor must they accept any such advantage in return for any preferential treatment of a third party. Moreover, employees must refrain from any activity or behavior that could give rise to the appearance or suspicion of such conduct or the attempt thereof.

Corporate information

22 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.



Bode Ayeku, FCIS
Company Secretary/Legal Adviser
FRC/2012/NBA/0000000637
22-24, Industrial Avenue
Ilupeju,
Lagos.

Corporate information

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

The Directors of **Nestlé Nigeria Plc** are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 March 2020, and the results of its operations, cash flows and changes in equity for the period 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 period ended 31 March 2020 were approved by directors on 8 May 2020

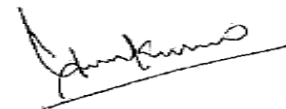
Signed on behalf of the Directors of the Company:



David Ifezulike
(Chairman)
FRC/2013/NIM/0000003355
8 May 2020



Mauricio Alarcon
(Managing Director)
FRC/2017/NIM/00000016043
8 May 2020



Jagdish Singla
(Finance & Control Director)
FRC/2018/ICAN/00000018560
8 May 2020

Corporate information

Statement of Profit or loss and Comprehensive Income

In thousands of naira

	Note	Jan - March 2020	Jan - March 2019
Revenue	5	70,329,350	70,966,754
Cost of sales		<u>(38,671,684)</u>	<u>(39,497,884)</u>
Gross Profit		31,657,666	31,468,870
Marketing and distribution expenses		(11,042,047)	(10,371,484)
Administrative expenses		<u>(3,078,061)</u>	<u>(2,010,834)</u>
Results from operating activities		<u>17,537,558</u>	<u>19,086,552</u>
Finance income		335,242	504,003
Finance costs		<u>(417,928)</u>	<u>(469,353)</u>
Net finance income/cost	6	<u>(82,686)</u>	<u>34,650</u>
Profit before income tax		17,454,872	19,121,202
Income tax expense	8	(6,259,478)	(6,274,881)
Profit for the period		<u>11,195,394</u>	<u>12,846,321</u>
Other comprehensive income		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>11,195,394</u>	<u>12,846,321</u>
Profit for the period is attributable to:			
Owners of the company		<u>11,195,394</u>	<u>12,846,321</u>
Total comprehensive income for the period is attributable to:			
Owners of the company		<u>11,195,394</u>	<u>12,846,321</u>
Earnings per share		N	N
Basic earnings per share		<u>14.12</u>	<u>16.21</u>
Diluted earnings per share		<u>14.12</u>	<u>16.21</u>

The accompanying notes on pages 19 to 27 form an integral part of these financial statements.

Corporate information



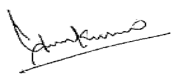
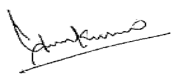
Statement of Financial Position

As at 31 March 2020

In thousands of naira

	<i>Note</i>	Mar 2020	Dec 2019
Assets			
Property, plant and equipment	9(a)	78,240,308	79,393,681
Right of use Assets	9(b)	5,128,019	4,386,059
Long term receivables	10	2,559,900	2,557,090
Total non-current assets		85,928,227	86,336,830
Inventories	11(a)	36,838,283	33,278,944
Right of return assets	11(b)	64,479	58,763
Trade and other receivables	12	44,257,126	65,820,188
Prepayments	13	3,447,826	901,518
Cash and cash equivalents	14	13,992,932	6,978,071
Total current assets		98,600,646	107,037,484
Total assets		184,528,873	193,374,314
Equity			
Share capital	15(a)	396,328	396,328
Share premium	15 (b)	32,262	32,262
Share based payment reserve	15 (c)	24,866	123,076
Retained earnings		56,219,576	45,005,964
Total Equity		56,673,032	45,557,630
Liabilities			
Loans and borrowings		-	5,516,384
Employee benefits	16	4,441,645	4,307,927
Lease liabilities		557,080	-
Deferred tax liabilities		13,546,655	12,456,944
Total non- current liabilities		18,545,380	22,281,255
Trade and other payables	17	64,625,102	78,400,058
Contract liabilities	18	5,567,611	5,974,399
Refund liabilities	11(b)	117,261	107,082
Bank Overdraft	14	172,095	2,736,058
Current tax liabilities		36,971,137	31,801,369
Lease liabilities		162,815	-
Loans and borrowings		158,518	4,958,904
Provisions		1,535,922	1,557,560
Total current liabilities		109,310,461	125,535,430
Total liabilities		127,855,841	147,816,685
Total equity and liabilities		184,528,873	193,374,314

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

The accompanying notes on pages 19 to 27 form an integral part of these financial statements.

Corporate information

Statement of Changes in Equity

Attributable to equity holders of the company

In thousands of naira

Note	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
Balance at 1 January 2020	396,328	32,262	123,076	45,005,964	45,557,630
Profit for the year					
Profit or loss	-	-	-	11,195,394	11,195,394
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-		11,195,394	11,195,394
Transactions with owners, recorded directly in equity					
Dividend to equity holders	-	-	-	-	-
Unclaimed dividend written back	-	-	-	18,218	18,218
Share based payment contribution	-	-	136,743	-	136,743
Share based payment recharge	-	-	(234,953)	-	(234,953)
*Balance as at 31 March 2020	396,328	32,262	24,866	56,219,576	56,673,032
Balance at 1 January 2019	396,328	32,262	154,788	49,637,108	50,220,486
Profit for the year					
Profit or loss	-	-	-	12,846,321	12,846,321
Total comprehensive income	-	-		12,846,321	12,846,321
Transactions with owners, recorded directly in equity					
Dividend to equity holders	-	-	-	-	-
Unclaimed dividend written back	-	-	-	-	-
Share based payment contribution	-	-	19,777	-	19,777
Share based payment recharge	-	-	(128,812)	-	(128,812)
Balance as at 31 March 2019	396,328	32,262	45,753	62,483,429	62,957,772

*The retained earnings at the end of the reporting period includes 2019 proposed final dividend of N35,670 mio that is subject to approval by shareholders at the next annual general meeting

The accompanying notes on pages 19 to 27 form an integral part of these financial statements.

Corporate information

Statement of Cash Flows

In thousands of naira

	Note	Mar 2020	Dec 2019
Cash flows from operating activities			
Profit for the period		11,195,394	45,683,113
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of use assets	15	1,935,173	7,450,643
Net foreign exchange difference	6	(154,698)	37,356
Net finance (income)/cost		237,384	900,865
Equity settled share based payment transactions		136,743	97,100
Provisions for other long term employee benefits	16	223,325	2,000,074
(Profit)/Loss on sale of property, plant and equipment		56,094	218,735
Income tax expense	8	6,259,478	25,440,711
		<u>19,888,893</u>	<u>81,828,597</u>
Changes in long term receivables		(2,810)	(319,985)
Change in inventories		(3,559,339)	(10,154,924)
Change in right of return assets		(5,716)	293,232
Change in trade and other receivables		21,563,062	(23,645,126)
Change in contract asset			93,179
Change in prepayments		(2,546,308)	(101,926)
Change in trade and other payables (excluding dividend payable)		(13,617,698)	16,704,652
Change in contract liabilities		(406,789)	2,115,606
Change in lease liabilities		162,815	-
Change in refund liabilities		10,179	(508,129)
Changes in provisions		(21,638)	348,641
Cash generated from operating activities		<u>21,464,652</u>	<u>66,653,813</u>
Income tax paid			(16,186,651)
Other long term employee benefit paid		(89,607)	(392,820)
Share based payment recharge paid		(234,953)	(128,812)
Net cash in flow from operating activities		<u>21,140,092</u>	<u>49,945,530</u>
Cash flow from investing activities			
Finance income		335,242	1,328,872
Proceeds from sale of property, plant and equipment		38,601	105,685
Acquisition of property, plant and equipment		(1,618,453)	(13,763,370)
Net cash used in investing activities		<u>(1,244,610)</u>	<u>(12,328,813)</u>
Cash flow from financing activities			
Proceeds from loans obtained-- Intercompany loan		-	-
-- Bank loan			10,000,000
Repayments of borrowings -- Intercompany loan		(5,516,384)	(75,353)
-- Bank loan		(4,800,386)	(6,451,105)
Finance cost paid		(417,928)	(2,213,299)
Dividends paid		(139,040)	(49,003,305)
Lease liabilities		557,080	
Net cash used in financing activities		<u>(10,316,658)</u>	<u>(47,743,062)</u>
Net increase in cash and cash equivalents		9,578,824	(10,126,346)
Cash and cash equivalent at January 1		4,242,013	14,368,358
Cash and cash equivalent at Period end		<u>13,820,837</u>	<u>4,242,013</u>

The accompanying notes on pages 19 to 27 form an integral part of these financial statements.

Corporate information

Notes to the financial statements

	Page
1 Reporting entity	19
2 Basis of accounting	19
3 Significant accounting policies	19
4 Operating segments	20
5 Revenue	21
6 Net finance costs	21
7 Profit before income taxation	21
8 Taxation	22
9 Property, plant and equipment	23
10 Long term receivables	25
11 Inventories	25
12 Trade and other receivables	25
13 Prepayment	26
14 Cash and cash equivalent	26
15 Capital and reserves	26
16 Employee benefits	27
17 Trade and other payables	27
18 Contract balances	27
19 Subsequent Events	27

Corporate information

Notes to the financial statements

1 Reporting entity

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

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

2 Basis of accounting

(a) Basis of preparation

The interim condensed financial statements for the period ended 31 March 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3 Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Corporate information

Notes to the financial statements

4 Operating segments

(a) Basis of segmentation

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

Segment	Description
Food	This includes the production and sale of Maggi, Cerelac, Nan, Lactogen and Golden Morn.
Beverages	This includes the production and sale of Milo, Chocomilo, Nescafe, Milo ready-to-drink (RTD) and Nestlé Pure Life.

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

Information regarding the results of each reportable segment is included 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.

(b) Information about reportable segment

In thousands of naira

	Food		Beverage		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
External Revenues	41,494,316	45,468,106	28,835,033	25,498,648	-	-	70,329,350	70,966,754
Interest revenue	-	-	-	-	335,242	522,855	335,242	522,855
Interest expense	-	-	-	-	(417,928)	(488,205)	(417,928)	(488,205)
Depreciation	(1,141,752)	(1,026,087)	(793,421)	(668,692)	-	-	(1,935,173)	(1,694,779)
Impairment loss	-	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-	-
Reportable segment profit before income tax	10,347,159	13,126,169	7,190,399	5,960,383	(82,686)	34,650	17,454,872	19,121,202

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.

Corporate information

5 Revenue

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

In thousands of naira

	March 2020	March 2019
Nigeria	69,053,064	69,952,307
Export	1,276,286	1,014,447
Total Revenue	<u>70,329,350</u>	<u>70,966,754</u>

6 Net finance cost

In thousands of naira

	March 2020	March 2019
Interest income on bank deposits	180,544	504,003
Net foreign exchange gain	154,698	18,852
Finance Income	<u>335,242</u>	<u>522,855</u>
Interest expense on financial liabilities	(417,928)	(488,205)
Net foreign exchange loss	-	-
Finance expense	<u>(417,928)</u>	<u>(488,205)</u>
Net finance income/ cost	<u>(82,686)</u>	<u>34,650</u>

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N86 million (2019: N143 million) excluding the impact of foreign exchange differences.

7 Profit before income tax

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

In thousands of naira

	<i>Note</i>	March 2020	March 2019
Depreciation		1,935,173	1,694,779
Impairment loss		-	-
Personnel expenses		6,789,139	5,754,060
Loss/(profit) on property, plant and equipment disposed		56,094	144,140
Net foreign exchange (gain) loss		(154,698)	(18,852)
General licence fees		2,851,688	2,640,131
Welfare and other personnel expenses		March 2020	March 2019
Salaries and wages		3,508,812	3,024,319
Welfare and end of service benefit		3,280,327	2,729,741
		<u>6,789,139</u>	<u>5,754,060</u>

Corporate information

8 Taxation

Income tax expense

The tax charge for the period 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

Current tax expense

	March 2020	March 2019
Current period income tax	4,742,598	5,234,206
Current period tertiary education tax	427,171	453,302
	<u>5,169,769</u>	<u>5,687,508</u>

Deferred tax (credit)/expense

Origination and reversal of temporary differences

	1,089,709	587,373
Total income tax expense	<u>6,259,478</u>	<u>6,274,881</u>

Corporate information

9 Property, plant and equipment (PPE)

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

In thousands of naira

	Note	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
Cost								
Balance at 1 January 2019		32,594,688	66,161,074	3,517,942	11,145,286	1,400,878	9,357,642	124,177,510
Additions		191,682	3,378,216	994,164	857,872	190,807	7,748,693	13,361,434
Disposals		-	(877,433)	(392,608)	(101,101)	(5,934)	-	(1,377,077)
Reclassification		498,251	3,597,242	81,569	627,084	200,153	(5,004,299)	-
Balance at 31 December 2019		<u>33,284,621</u>	<u>72,259,099</u>	<u>4,201,066</u>	<u>12,529,141</u>	<u>1,785,903</u>	<u>12,102,036</u>	<u>136,161,868</u>
Impact of IFRS 16 on leases		-	-	-	-	-	-	-
Balance at 1 January 2020		33,284,621	72,259,099	4,201,066	12,529,141	1,785,903	12,102,036	136,161,868
Additions		9,336	22,003	-	25,530	1,825	689,737	748,431
Disposals		(42,198)	(471,219)	(259,480)	(880,776)	(82,746)	-	(1,736,419)
Reclassification		171,760	1,335,876	15,246	441,083	72,438	(2,036,403)	-
Balance at 31 March 2020		<u>33,423,519</u>	<u>73,145,760</u>	<u>3,956,833</u>	<u>12,114,978</u>	<u>1,777,421</u>	<u>10,755,370</u>	<u>135,173,880</u>
Accumulated depreciation and impairment losses								
Balance at 1 January 2019		8,332,409	32,304,308	1,865,774	7,280,818	1,028,677	-	50,811,986
Depreciation	7	850,700	3,802,999	643,139	1,471,098	267,171	-	7,035,106
Impairment		-	-	-	-	-	-	-
Disposals		-	(595,324)	(387,009)	(95,070)	(1,500)	-	(1,078,905)
Balance at 31 December 2019		<u>9,183,109</u>	<u>35,511,983</u>	<u>2,121,902</u>	<u>8,656,846</u>	<u>1,294,348</u>	<u>-</u>	<u>56,768,187</u>
Balance at 1 January 2020		9,183,109	35,511,983	2,121,902	8,656,846	1,294,348	-	56,768,187
Depreciation	7	213,480	1,038,303	173,884	309,266	72,175	-	1,807,109
Impairment loss		-	-	-	-	-	-	-
Disposals		(33,833)	(393,454)	(257,520)	(874,173)	(82,746)	-	(1,641,724)
Balance at 31 March 2020		<u>9,362,756</u>	<u>36,156,832</u>	<u>2,038,267</u>	<u>8,091,939</u>	<u>1,283,778</u>	<u>-</u>	<u>56,933,572</u>
Carrying amounts								
At 1 January 2019		<u>24,262,279</u>	<u>33,856,765</u>	<u>1,652,168</u>	<u>3,864,468</u>	<u>372,201</u>	<u>9,357,642</u>	<u>73,365,523</u>
At 31 December 2019		<u>24,101,513</u>	<u>36,747,116</u>	<u>2,079,165</u>	<u>3,872,295</u>	<u>491,556</u>	<u>12,102,035</u>	<u>79,393,681</u>
At 31 March 2020		<u>24,060,763</u>	<u>36,988,928</u>	<u>1,918,565</u>	<u>4,023,038</u>	<u>493,643</u>	<u>10,755,370</u>	<u>78,240,308</u>

Corporate information

9 Right of Use Assets

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

In thousands of naira

	Note	Land N'000	Building N'000	Total N'000
Cost				
As at 1 January 2019		-	-	-
Transferred from Prepayments		4,102,547	323,363	4,425,910
Additions		-	401,936	401,936
Disposals		-	(155,069)	(155,069)
Balance as at 31st December 2019		4,102,547	570,230	4,672,777
As at 1st January 2020		4,102,547	570,230	4,672,777
Additions			870,023	870,023
Disposals			-	-
Reclassification			-	-
Balance as at 31st March 2020		4,102,547	1,440,253	5,542,800
Accumulated depreciation and impairment losses				
As at 1 January 2019		-	-	-
Depreciation		104,701	182,017	286,718
Impairment			-	-
Disposals				
Balance as at 31st December 2019		104,701	182,017	286,718
As at 1 January 2020		104,701	182,017	286,718
Depreciation		17,534	110,530	128,064
Impairment				
Disposals				
Balance as at 31st March 2020		122,235	292,547	414,782
Carrying amounts				
As at 1 January 2019		-	-	-
As at 31 December 2019		3,997,846	388,213	4,386,059
As at 31 March 2020		3,980,312	1,147,707	5,128,019

Corporate information

10 Long term receivables

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

This is analysed below:

In thousands of naira

	2020	2019
Long term Staff receivable	2,267,231	2,293,175
Amount due from Customers on account of trade assets deployed	292,669	263,915
	2,559,900	2,557,090

11(a) Inventories

In thousands of naira

	2020	2019
Raw and packaging materials	10,453,305	7,243,196
Product in process	1,359,350	1,016,895
Finished products	11,404,902	9,023,827
Engineering spares	4,806,566	4,677,194
Goods in transit	8,814,160	11,317,832
	36,838,283	33,278,944

11(b) Right of return assets and refund liabilities

In thousands of naira

	2020	2019
Right to returned goods asset	64,479	58,763
<i>Refund liabilities</i>		
Arising from rights of return	117,261	107,082
	117,261	107,082

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

12 Trade and other receivables

In thousands of naira

	<i>Note</i>	2020	2019
Trade receivables		21,442,406	21,214,923
Loans to key management personnel		34,332	32,662
Staff loans		2,799,707	2,833,807
Trade receivables due from related parties		3,251,987	3,525,020
Deposit with Company registrars for dividend		2,071,408	2,690,660
Allowance for expected credit losses		(4,797,385)	(4,211,748)
Loans and receivables		24,802,455	26,085,324
Advance payment to suppliers		10,058,617	22,239,480
Deposit for Import		10,248,714	18,882,050
Other receivables		1,707,240	1,170,424
		46,817,026	68,377,278
Non-current - reclassified to long term receivables		2,559,900	2,557,090
Current		44,257,126	65,820,188
		46,817,026	68,377,278

Corporate information

13 Prepayments

Prepayments represent payments made in advance for expected future economic benefits.

14 Cash and cash equivalents

In thousands of naira

	2020	2019
Cash and bank balances	8,268,376	2,676,520
Short term investment	5,724,556	4,301,551
Cash and cash equivalents in the statement of financial position	13,992,932	6,978,071
Bank overdrafts used for cash management purposes	(172,095)	(2,736,058)
Cash and cash equivalents in the statement of cash flows	13,820,837	4,242,013

15 Capital and reserves

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares

	2020	2019
At 31 March	792,656,252	792,656,252

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

In number of shares

	2020	2019
At 31 March	792,656,252	792,656,252

Nominal value (In thousands of naira)	396,328	396,328
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Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

(b) Share premium

In thousands of Naira

	2020	2019
The premium on the 792,656,252 ordinary shares of 50 kobo each is as follows:		
Share premium	32,262	32,262

(c) Share based payment reserves

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

Corporate information

16 Employee Benefits

Other long term employee benefits

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

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

<i>In thousands of Naira</i>	2020	2019
Balance at 1 January	4,307,927	2,700,673
Expense/(Income) for the period	223,325	2,000,074
Payments during the period	(89,607)	(392,820)
Balance at Period end	4,441,645	4,307,927

17 Trade and other payables

In thousands of naira

	2020	2019
Trade payables	33,395,530	47,210,454
Other payables and accruals	13,072,435	18,532,514
Trade payables due to related parties	11,429,070	5,771,765
Dividend payable	6,728,067	6,885,325
	64,625,102	78,400,058

18 Contract liabilities

This include incentives yet to be paid to customers and advances received from cash customers.

<i>In thousands of naira</i>	2020	2019
Customer's down payment	1,095,445	1,522,255
Trade incentives	4,472,166	4,452,144
	5,567,611	5,974,399

19 Subsequent Events

As the COVID-19 pandemic continues to have an impact on a global level, we have three key priorities as a Company : safeguarding the health and wellbeing of our people, ensuring business continuity to meet consumer needs and supporting communities with relief efforts. Nestlé Nigeria is working closely with the Government, health authorities and other private sector players to respond to the challenge.

For the Company's 31 March 2020 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events as the Company has a robust business continuity plan in place to ensure an uninterrupted supply of essential food and beverages. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome and duration of the current events, it is too early to quantify the overall impact of the outbreak on the Company's financial position, results of operations or cash flows in the future.