

Nestlé Nigeria Plc

Unaudited Financial Statements

for the period ended 31 March 2018

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Corporate information

Board of Directors:	Mr. David Ifezulike Mr. Mauricio Alarcon (Mexican) Mr. Jagdish Singla (Indian) Mr. Ricardo Chavez (Mexican) Mr. Kais Marzouki (German) Mr. Gbenga Oyebode Mrs. Ndidi Okonkwo Nwuneli	Chairman Managing Director/Chief Executive Officer Finance & Control Director Non-Executive Director Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
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**Company Secretary/
Legal Adviser** Mr. Bode Ayeku

Registered Office: 22-24 Industrial Avenue
Ilupeju, Lagos
Tel: 01 – 2798184, 2798188, 2790707

Registrars: GTL Registrars Limited
274 Murtala Muhammed Way
Alagomeji, Yaba, Lagos
Tel: 01- 5803369, 5451399, 5803367

Independent Auditor Deloitte & Touche (formerly Akintola Williams Deloitte)
Civic Towers
Plot GA1, Ozumba Mbadiwe Avenue
Victoria Island, Lagos Nigeria
Tel: +234(1)9041700

Members of the Audit Committee	Mr. Matthew Akinlade Alhaji Kazeem Owonikoko Bello Mr. Christopher Nwaguru Mrs Ndidi Okonkwo Nwuneli Mr. Ricardo Chavez (Mexican) Mr. Gbenga Oyebode	Chairman Shareholders' Representative Shareholders' Representative Directors' Representative Directors' Representative Directors' Representative
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Financial Highlights

In thousands of naira

	<u>2018</u>	<u>2017</u>	<u>Increase/ (decrease) %</u>
Revenue	67,463,648	61,151,517	10%
Profit before income tax	13,640,425	14,282,584	-4%
Profit for the period	8,605,881	8,358,827	3%
Declared dividend	-	-	0%
Share capital	396,328	396,328	0%
Total equity	53,448,923	44,878,177	19%

Directors' report

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 2018.

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:

	2018	2017
	N'000	N'000
Revenue	67,463,648	61,151,517
Results from operating activities	14,519,016	13,209,832
Profit before income tax	13,640,425	14,282,584
Profit for the period	8,605,881	8,358,827
Total comprehensive income for the period	8,605,881	8,358,827

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:

		Interest in the Ordinary Shares of the Company	
		2018	2017
Mr. David Ifezulike	- Chairman	56,255	56,255
Mr. Mauricio Alarcon (Mexican)	- MD/CEO	Nil	Nil
Mr. Jagdish Singla (Indian)		Nil	Nil
Mr. Kais Marzouki (German)		Nil	Nil
Mr. Ricardo Chavez (Mexican)		Nil	Nil
Mrs. Ndidi Okonkwo Nwuneli		Nil	Nil
Mr. Gbenga Oyeboode		Nil	Nil

- (b) Mr. Gbenga Oyeboode, was the Non-Executive Chairman of Access Bank Plc, one of the Company's bankers and a Non-Executive Director of MTN Nigeria Communications Limited (MTN), one of the telecommunication service providers of the Company. He 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 Access Bank Plc, MTN and 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.

Directors' report

5 Analysis of Shareholdings

		Number of shareholders	%	Number of shares	%
1	- 1,000	18,429	64.072	5,511,284	0.695
1,001	- 5,000	7,012	24.379	16,114,820	2.033
5,001	- 10,000	1,663	5.782	11,335,963	1.430
10,001	- 50,000	1,330	4.624	26,154,902	3.300
50,001	- 100,000	143	0.497	9,756,323	1.231
100,001	- 500,001	126	0.438	26,998,143	3.406
500,001	- 1,000,000	24	0.083	17,620,931	2.223
1,000,001	- Above	35	0.122	154,604,427	19.505
		<u>28,762</u>	<u>99.997</u>	<u>268,096,793</u>	<u>33.823</u>
Nestlé S.A, Switzerland *		1	0.003	524,559,457	66.177
		<u>28,763</u>	<u>100.000</u>	<u>792,656,250</u>	<u>100.000</u>

* Apart from Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18%) and Stanbic IBTC Nominees Limited with 9.59%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 March 2018.

6 Property, plant and equipment

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

7 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.

The Company sustained its focus on creating shared value.

8 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.

9 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.

Directors' report

10 Major Distributors

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

11 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.

12 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.

13 Acquisition of Own Shares

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

14 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 19 (2017: 14) physically challenged persons in its employment as at 31 March 2018.

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

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

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

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

Directors' report

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

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

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

(c) Employees involvement and training:

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

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

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

In addition, we have graduated three(3) sets of technical students from Nestle Technical Training Center (TTC). The multi-skill engineering training runs for period of 18 months. The total number of those who have so far completed the programme till date is forty-six (46). The cost of the training was fully paid by our Company. The success of the TCC in our Agbara factory has spurred us on to replicate and adapt the TCC model in our Nestle Waters factory in Abaji.

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

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

15. Remuneration Committee

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

Directors' report

16 Audit Committee

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

Mr. Matthew Akinlade (Chairman)	Shareholders' Representative
Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
Mr. Christopher Nwaguru	Shareholders' Representative
Mrs. Ndidi Okonkwo Nwuneli	Directors' Representative
Mr. Gbenga Oyebode	Directors' Representative
Mr. Ricardo Chavez	Directors' Representative

17 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.

18 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.

Directors' report

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.

19 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:

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

(a) Nutrition, Health and Wellness

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

(b) Quality Assurance and Product Safety

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

(c) Consumer Communication

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

(d) Human Rights in Our Business Activities

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

Directors' report

(e) Leadership and Personal Responsibility

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

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

(f) Safety and Health at Work

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

We have Clinics in our Factories, Distribution Centre and Head Office. The Clinics at the factories operate 24 hours service. Also we have Hospitals listed on retainer basis with the company for our employees and their family use. No major industrial accident occurred during the period under review. An accident is classified as major if the affected person is not able to resume work after 3 days. Efforts are being made by the Safety, Health and Environment Committee of the Board, Management and the Safety, Health and Environment Officers at the various sites to curtail industrial accidents through increased training on safety to both staff and contractors. The target of the Company is to ensure that there is no major accident.

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

(g) Supplier and Customer Relations

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

Directors' report

(h) Agriculture and rural development

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

(i) Environmental sustainability

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

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

(j) Water

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

Number, diversity, training initiatives and development of employees

As at 31 March 2018, the staff strength of the Company was 2,213 (2017: 2,299). Our employees are made up of male and female from all parts of the country. Every employee is given equal opportunity for promotion purely on the basis of merit. We provide both experienced based learning and classroom trainings in Nigeria and overseas. Presently, we have 13 (2017: 18) of our staff on overseas assignments in Ghana, Cote D' Ivoire, Switzerland, Senegal, Kenya and Cameroun in order to give them the required exposure to enable them take up higher responsibilities.

Bribery and corruption

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

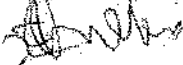
Directors' report

20 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.

BY ORDER OF THE BOARD



Bode Ayeku

Company Secretary/Legal Adviser

FRC/2012/NBA/0000000637

22-24, Industrial Avenue

Ilupeju,

Lagos.

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

The Directors of Nestlé Nigeria Plc are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 March 2018, 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.

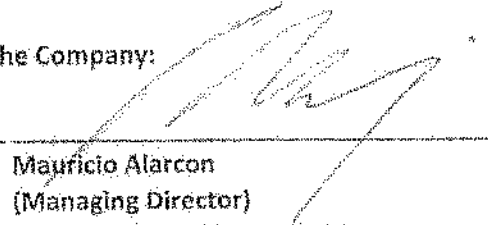
The financial statements of the Company for the period ended 31 March 2018 were approved by directors on 30 April, 2018

Signed on behalf of the Directors of the Company:


David Ifezulike
(Chairman)

FRC/2013/NIM/00000003355

30 April 2018


Mauricio Alarcon
(Managing Director)

FRC/2017/NIM/00000016043

30 April 2018

Statement of Profit or loss and Comprehensive Income

In thousands of naira

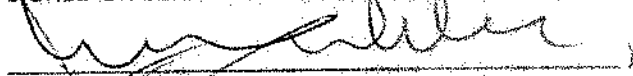
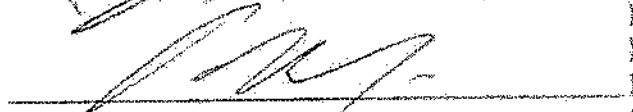

	Note	<u>Jan - March 2018</u>	<u>Jan - March 2017</u>
Revenue	5	67,463,648	61,151,517
Cost of sales		<u>(41,705,831)</u>	<u>(37,668,119)</u>
Gross Profit		25,757,817	23,483,398
Marketing and distribution expenses		(9,029,860)	(8,047,962)
Administrative expenses		<u>(2,208,941)</u>	<u>(2,225,604)</u>
Results from operating activities		<u>14,519,016</u>	<u>13,209,832</u>
Finance income		281,299	2,601,188
Finance costs		<u>(1,159,890)</u>	<u>(1,528,436)</u>
Net finance cost	6	<u>(878,591)</u>	<u>1,072,752</u>
Profit before income tax		13,640,425	14,282,584
Income tax expense	8	(5,034,544)	(5,923,757)
Profit for the period		<u>8,605,881</u>	<u>8,358,828</u>
Other comprehensive income		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>8,605,881</u>	<u>8,358,828</u>
Profit for the period is attributable to:			
Owners of the company		<u>8,605,881</u>	<u>8,358,828</u>
Total comprehensive income for the period is attributable to:			
Owners of the company		<u>8,605,881</u>	<u>8,358,828</u>
Earnings per share		N	N
Basic earnings per share		<u>10.86</u>	<u>10.55</u>
Diluted earnings per share		<u>10.86</u>	<u>10.55</u>

The accompanying notes and significant accounting policies on pages 17 to 35 form an integral part of these financial statements.

Statement of Financial Position
 As at 31 March 2018
 In thousands of naira

	Note	Mar 2018	Dec 2017
Assets			
Property, plant and equipment	9	68,330,805	72,377,943
Long term receivables	10	1,834,634	1,921,232
Total non-current assets		70,165,439	74,299,175
Inventories	11	29,312,627	23,910,303
Trade and other receivables	12	35,148,692	31,430,450
Prepayments	13	8,149,366	2,025,346
Cash and cash equivalents	14	24,762,269	15,138,854
Total current assets		97,372,954	72,504,953
Total assets		167,538,393	146,804,128
Equity			
Share capital	15(a)	396,328	396,328
Share premium	15(b)	32,262	32,262
Share based payment reserve	15(c)	94,948	147,236
Retained earnings		57,925,385	44,302,351
Total Equity		53,448,923	44,878,177
Liabilities			
Loans and borrowings		10,494,267	9,564,664
Employee benefits	16	2,538,087	2,275,921
Deferred tax liabilities		10,780,883	10,404,871
Total non-current liabilities		23,813,237	22,245,456
Bank Overdraft		424,281	3,714,087
Current tax liabilities		19,757,199	15,098,670
Loans and borrowings		7,190,395	10,913,246
Trade and other payables	17	62,005,490	49,055,624
Provisions		898,868	898,868
Total current liabilities		90,276,233	79,680,495
Total liabilities		114,089,470	101,925,951
Total equity and liabilities		167,538,393	146,804,128

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:


 _____)

 _____)

 _____)
 30/4/2018

David Ifezulike
 (Chairman)
 FRC/2013/NIM/00000003355
 Maurice Alarcón
 (Managing Director)
 FRC/2017/NIM/00000016043
 Additionally certified by:
 Gbemisola Ogunleke
 (Financial Accounting Manager)
 FRC/2012/ICAN/0000000424

The accompanying notes and significant accounting policies on pages 17 to 35 form an integral part of these financial statements.

Nestlé Nigeria Plc
Unaudited Financial Statements
for the period ended 31 March 2018

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 2018		396,328	32,262	147,236	44,302,351	44,878,177
Profit for the year		-	-	-	8,605,881	8,605,881
Profit or loss		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	8,605,881	8,605,881
Transactions with owners, recorded directly in equity		-	-	-	-	-
Dividend to equity holders		-	-	-	-	-
Unclaimed dividend written back		-	-	-	17,153	17,153
Share based payment contribution		-	-	20,486	-	20,486
Share based payment recharge		-	-	(72,774)	-	(72,774)
Balance as at 31 March 2018		396,328	32,262	94,948	52,925,385	53,448,923
Balance at 1 January 2017		396,328	32,262	126,480	30,323,005	30,878,075
Profit for the year		-	-	-	8,358,827	8,358,827
Profit or loss		-	-	-	-	-
Total comprehensive income		-	-	-	8,358,827	8,358,827
Transactions with owners, recorded directly in equity		-	-	-	-	-
Dividend to equity holders		-	-	-	-	-
Unclaimed dividend written back		-	-	-	13,686	13,686
Share based payment contribution		-	-	-	-	-
Share based payment recharge		-	-	(58,076)	-	(58,076)
Balance as at 31 March 2017		396,328	32,262	68,403	38,695,518	39,192,511

The accompanying notes and significant accounting policies on pages 17 to 35 form an integral part of these financial statements.

Statement of Cash Flows

In thousands of naira

	Note	Mar 2018	Mar 2017	Dec 2017
Cash flows from operating activities				
Profit for the period		8,605,881	8,358,827	33,723,730
Adjustments for:				
Depreciation	9	1,706,637	1,523,035	6,485,547
Impairment loss on property, plant and equipment		3,411,892	-	-
Net loss on foreign exchange transactions	6	638,669	497,456	11,168,652
Net finance cost		239,922	(1,570,209)	(2,298,961)
Equity settled share based payment transactions		20,486	-	78,832
Provisions for other long term employee benefits	16	318,302	129,125	556,369
(Profit)/Loss on sale of property, plant and equipment		(5,489)	(16,520)	(19,281)
Income tax expense	8	5,034,544	5,923,757	13,104,952
		<u>19,970,844</u>	<u>14,845,471</u>	<u>62,799,840</u>
Changes in long term receivables		86,597	(21,879)	(242,981)
Change in inventories		(5,402,324)	(1,479,559)	(3,272,553)
Change in trade and other receivables		(3,718,242)	(3,130,941)	(7,395,039)
Change in prepayments		(6,124,022)	(2,049,760)	(313,504)
Change in trade and other payables (excluding dividend payable)		21,065,638	11,289,411	(23,922,352)
Changes in provisions		-	(296,022)	302,121
Cash generated from operating activities		<u>25,878,491</u>	<u>19,156,721</u>	<u>27,955,532</u>
Income tax paid		-	-	(8,277,383)
Other long term employee benefit paid		(56,136)	(53,715)	(384,192)
Share based payment recharge paid		(72,774)	(58,076)	(58,076)
Net cash in flow from operating activities		<u>25,749,581</u>	<u>19,044,930</u>	<u>19,235,881</u>
Cash flow from investing activities				
Finance income		281,299	2,601,188	6,239,371
Proceeds from sale of property, plant and equipment		5,693	16,585	42,931
Acquisition of property, plant and equipment		(1,071,595)	(983,446)	(8,715,614)
Net cash used in investing activities		<u>(784,603)</u>	<u>1,634,327</u>	<u>(2,433,312)</u>
Cash flow from financing activities				
Proceeds from loans obtained-- Intercompany loan		-	-	4,886,800
-- Bank loan		-	-	-
Repayments of borrowings -- Intercompany loan		(2,750,435)	(2,477,233)	(41,241,015)
-- Bank loan		(292,322)	(458,988)	(1,502,620)
Change in import finance loan		-	-	-
Finance cost paid		(910,381)	(412,239)	(7,289,033)
Dividends paid		(8,098,619)	(111,477)	(11,428,504)
Net cash used in financing activities		<u>(12,051,757)</u>	<u>(3,459,937)</u>	<u>(56,574,372)</u>
Net increase in cash and cash equivalents		12,913,221	17,219,320	(39,771,803)
Cash and cash equivalent at January 1		11,424,767	51,196,570	51,196,570
Cash and cash equivalent at Period end		<u>24,337,988</u>	<u>68,415,890</u>	<u>11,424,767</u>

The accompanying notes and significant accounting policies on pages 17 to 35 form an integral part of these financial statements.

Notes to the financial statements

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Notes to the financial statements

1 Reporting entity

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

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

2 Basis of accounting

(a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS.

(a) Basis of measurement

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

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

(b) 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.

(c) Changes in accounting Estimate

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

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

3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

	Page Number
a) Foreign currency	19
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a) Foreign currency transaction	

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

b) Financial instruments

i. Non-derivative financial assets

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

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

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

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

Notes to the financial statements

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

ii. Non-derivative financial liabilities

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

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

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

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

iii. Share capital

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

c) Property, plant and equipment

i. Recognition and measurement

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

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

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

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

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

Notes to the financial statements

II. Subsequent costs

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

III. Depreciation

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

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

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

• buildings	25 - 35 years
• plant and machinery	10 - 25 years
• motor vehicles	5 years
• furniture and fittings	5 years
• IT equipment	3 years

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

Land has unlimited useful life so it is not depreciated

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

d) Intangible assets

I. Software

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

II. Subsequent expenditure

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

Notes to the financial statements

III. Amortisation

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

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

f) Inventories

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

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

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

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

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

Notes to the financial statements

g) Impairment

i. Financial assets (including receivables)

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

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

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

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

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

ii. Non-financial assets

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

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

Notes to the financial statements

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

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

h) Employee benefits

i. Defined contribution plans

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

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

1 Defined contribution gratuity scheme

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

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

2 Pension fund scheme

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

ii. Other long term employee benefits (long service awards)

Long service awards accrue to employees based on graduated periods of uninterrupted service. These benefits accrue over the service life of the employees. The charge to the profit and loss account is based on independent actuarial valuation performed using the projected unit credit method. Ernest & Young (FRC/2012/NAS/0000000738) was engaged as the independent actuary in the current year. Actuarial remeasurements are recognised in the profit and loss in the year in which they arise.

Notes to the financial statements

III. Termination benefits

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

IV. Short-term employee benefits

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

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

V. Share-based payment transactions

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

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

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

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

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

i) Provisions

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

Notes to the financial statements

j) Contingent liabilities

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

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

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

k) Statement of cash flows

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

l) Revenue

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

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

m) Advance payment to contractors

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

n) Finance income and finance costs

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

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

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

o) Income tax

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

Notes to the financial statements

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

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

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

p) Earnings per share

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

q) Segment reporting

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

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

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

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

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

Notes to the financial statements

r) Dividends

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

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

s) Government grants

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

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

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

t) Related parties

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

4 Operating segments

(a) Basis of segmentation

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

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the financial statements

(b) Information about reportable segment

	Food		Beverage		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	<i>In thousands of naira</i>							
External Revenues	43,014,417	40,253,650	24,449,231	20,897,867	-	-	67,463,648	61,151,517
Interest revenue	-	-	-	-	281,299	2,601,188	281,299	2,601,188
Interest expense	-	-	-	-	(1,159,890)	(1,528,436)	(1,159,890)	(1,528,436)
Depreciation	(1,053,282)	(960,011)	(653,354)	(563,024)	-	-	(1,706,636)	(1,523,035)
Impairment loss	-	-	(3,411,892)	-	-	-	(3,411,892)	-
Amortisation	-	-	-	-	-	-	-	-
Reportable segment profit before income tax	10,346,323	10,210,807	4,172,693	3,019,158	(878,591)	1,072,752	13,640,425	14,302,717

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.

Notes to the financial statements

5 Revenue

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

In thousands of naira

Nigeria

Export

Total Revenue

March 2018	March 2017
66,348,285	60,759,994
1,115,363	391,523
<u>67,463,648</u>	<u>61,151,517</u>

6 Net finance cost

In thousands of naira

Interest income on bank deposits

Finance Income

Interest expense on financial liabilities

Net foreign exchange loss

Finance expense

Net finance(income)/ cost

March 2018	March 2017
281,299	2,601,188
<u>281,299</u>	<u>2,601,188</u>
(521,221)	(497,456)
(638,669)	(1,030,980)
<u>(1,159,890)</u>	<u>(1,528,436)</u>
<u>(878,591)</u>	<u>1,072,752</u>

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N221 million (2017: N684 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

Note

Depreciation

Impairment loss

Personnel expenses

Profit/(loss) on property, plant and equipment disposed

Net foreign exchange loss

General licence fees

Welfare and other personnel expenses

Salaries and wages

Welfare and end of service benefit

March 2018	March 2017
1,706,637	1,523,035
3,411,892	-
5,598,506	5,500,100
(5,489)	(16,520)
638,669	497,456
2,489,800	2,328,212
<u>March 2018</u>	<u>March 2017</u>
2,855,932	3,003,141
2,742,574	2,496,959
<u>5,598,506</u>	<u>5,500,100</u>

Notes to the financial statements

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:

<i>In thousands of naira</i>	<u>March 2018</u>	<u>March 2017</u>
Current tax expense		
Current period income tax	4,311,335	3,829,045
Current period tertiary education tax	347,197	321,869
	<u>4,658,532</u>	<u>4,150,914</u>
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	376,012	1,772,843
Total income tax expense	<u>5,034,544</u>	<u>5,923,757</u>

Notes to the financial statements

9 Property, plant and equipment (PPE)

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

<i>in thousands of naira</i>		Note	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
Cost									
Balance at 1 January 2017			31,039,341	55,180,142	2,702,459	7,532,352	1,113,753	6,997,036	104,565,083
Additions			317,931	2,517,458	218,150	338,688	20,723	5,302,665	8,715,614
Disposals			-	(73,440)	(281,509)	(392,381)	(53,371)	-	(800,701)
Transfers			521,848	5,050,047	184,827	650,290	111,852	(6,518,856)	-
Balance at 31 December 2017			31,879,120	62,674,207	2,823,927	8,128,949	1,192,957	5,780,835	112,479,996
Balance at 1 January 2018			31,879,120	62,674,207	2,823,927	8,128,949	1,192,957	5,780,835	112,479,995
Additions			674	20,920	-	2,560	1,032	1,046,409	1,071,595
Disposals			-	-	(70,801)	(392)	(400)	-	(71,593)
Transfers			180,200	734,719	247,649	731,336	69,243	(1,963,147)	-
Balance at 31 March 2018			32,059,994	63,429,846	3,000,774	8,862,453	1,262,832	4,864,097	113,479,997
Accumulated depreciation and impairment losses									
Balance at 1 January 2017			5,021,569	21,620,076	1,373,257	5,427,984	950,671	-	34,393,557
Depreciation	7		624,402	4,165,849	516,445	1,055,059	123,792	-	6,485,547
Disposals			-	(61,907)	(270,678)	(391,248)	(53,218)	-	(777,051)
Balance at 31 December 2017			5,645,971	25,724,018	1,619,024	6,091,795	1,021,245	-	40,102,053
Balance at 1 January 2018			5,645,971	25,724,018	1,619,024	6,091,795	1,021,245	-	40,102,053
Depreciation	7		217,901	1,046,961	92,394	315,446	33,935	-	1,706,637
Impairment loss			1,867,843	1,544,049	-	-	-	-	3,411,892
Disposals			-	-	(70,801)	(189)	(400)	-	(71,390)
Balance at 31 March 2018			7,731,714	28,315,028	1,640,617	6,407,052	1,054,780	-	45,149,192
Carrying amounts									
At 1 January 2017			26,017,772	33,560,066	1,329,202	2,104,368	163,082	6,997,036	70,171,526
At 31 December 2017			26,233,149	36,950,189	1,204,903	2,037,154	171,712	5,780,835	72,977,943
At 31 March 2018			24,328,279	35,114,818	1,360,157	2,455,401	208,052	4,864,097	68,330,805

Notes to the financial statements

(b) Impairment loss recognised in property, plant and equipment

The expected business growth and gain of market share for the Nestlé water Factory in Abaji has not been realised and outlook for future expansion is below initial estimates. The Company tested the factory facility for impairment in 2018 and recorded an impairment loss of NGN 3.4 billion in respect of related property, plant and equipment.

10 Long term receivables

Long term receivables represent long-term portion of loans granted to the Company's employees, which are secured by the employees' final entitlements and retirement benefits with Nestlé Nigeria Trust (CPFA) Limited. (See Note 12)

11 Inventories

In thousands of naira

	2018	2017
Raw and packaging materials	9,135,013	10,888,704
Product in process	882,464	1,011,414
Finished products	6,634,985	8,005,726
Engineering spares	3,763,298	3,910,687
Goods in transit	8,896,867	93,772
	29,312,627	23,910,303

12 Trade and other receivables

In thousands of naira

	Note	2018	2017
Trade receivables		13,645,460	9,928,763
Loans to key management personnel		33,405	39,754
Staff loans		2,293,293	2,361,785
Trade receivables due from related parties		2,442,844	2,768,999
Deposit with Company registrars for dividend		1,042,652	1,724,951
Loans and receivables		19,457,654	16,824,252
Advance payment to suppliers		10,818,931	10,380,123
Deposit for Import		6,491,253	5,248,908
Other receivables		215,488	898,399
		36,983,326	33,351,682
Non-current - reclassified to long term receivables		1,834,634	1,921,232
Current		35,148,692	31,430,450
		36,983,326	33,351,682

13 Prepayments

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

Notes to the financial statements

14 Cash and cash equivalents

In thousands of naira

	2018	2017
Cash and bank balances	21,070,670	11,583,410
Short term investment	3,691,599	3,555,444
Cash and cash equivalents in the statement of financial position	24,762,269	15,138,854
Bank overdrafts used for cash management purposes	(424,281)	(3,714,087)
Cash and cash equivalents in the statement of cash flows	24,337,988	11,424,767

15 Capital, reserves and dividends

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares

At 31 March

	2018	2017
	792,656,252	792,656,252

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

In number of shares

At 31 March

	2018	2017
	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

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

Share premium

	2018	2017
	32,262	32,262

(c) Share based payment reserves

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

Notes to the financial statements

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>	2018	2017
Balance at 1 January	2,275,921	2,103,744
Expense/(Income) for the period	318,302	556,369
Payments during the period	(56,136)	(384,192)
Balance at Period end	<u>2,538,087</u>	<u>2,275,921</u>

17 Trade and other payables

In thousands of naira

	2018	2017
Trade payables	25,421,586	14,209,270
Other payables and accruals	14,581,638	13,245,581
Trade payables due to related parties	17,563,477	9,046,212
Dividend payable	4,438,789	12,554,561
	<u>62,005,490</u>	<u>49,055,624</u>