

Nestlé Nigeria Plc

Unaudited Financial Statements

for the period ended 31 March 2019

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Corporate information

Board of Directors:	Mr. David Ifezulike	Chairman
	Mr. Mauricio Alarcon (Mexican)	Managing Director/Chief Executive Officer
	Mr. Ricardo Chavez (Mexican)	Non-Executive Director
	Mr. Gbenga Oyebo	Independent Non-Executive Director
	Mrs. Ndidi Okonkwo Nwuneli	Independent Non-Executive Director
	Mr. Jagdish Singla (Indian)	Finance & Control Director
	Mr. Remy Ejel (French)	Non-Executive Director

**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 Auditor 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	Chairman
	Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
	Mr. Christopher Nwaguru	Shareholders' Representative
	Mrs Ndidi Okonkwo Nwuneli	Directors' Representative
	Mr. Ricardo Chavez (Mexican)	Directors' Representative
	Mr. Gbenga Oyebo	Directors' Representative

Financial Highlights

In thousands of naira

	<u>2019</u>	<u>2018</u>	<u>Increase/ (decrease) %</u>
Revenue	70,966,754	67,463,648	5%
Profit before income tax	19,121,202	13,640,425	40%
Profit for the period	12,846,321	8,605,881	49%
Declared dividend	-	-	0%
Share capital	396,328	396,328	0%
Total equity	62,957,772	53,448,923	18%

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 2019.

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:

	2019	2018
	N'000	N'000
Revenue	70,966,754	67,463,648
Results from operating activities	19,086,552	14,519,016
Profit before income tax	19,121,202	13,640,425
Profit for the period	12,846,321	8,605,881
Total comprehensive income for the period	<u>12,846,321</u>	<u>8,605,881</u>

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	
		2019	2018
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
Mrs. Ndidi Okonkwo Nwuneli		Nil	Nil
Mr. Gbenga Oyebode		Nil	Nil

- (b) Mr. Gbenga Oyebode, was the Non-Executive Chairman of Access Bank Plc, one of the Company's bankers and a Non-Executive Director of MTN Nigeria Communications Limited (MTN), one of the telecommunication service providers of the Company. 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	-	5,000	25,574	88.81	21,196,526	2.67
5,001	-	10,000	1,578	5.48	10,795,529	1.36
10,001	-	50,000	1,296	4.50	25,727,405	3.25
50,001	-	100,000	145	0.50	9,864,818	1.25
100,001	-	500,000	140	0.49	31,865,263	4.02
500,001	-	1,000,000	27	0.09	19,931,788	2.51
1,000,001	-	5,000,000	26	0.09	63,605,004	8.02
5,000,001		10,000,000	4	0.01	29,581,174	3.73
10,000,001		and above	4	0.01	55,529,286	7.01
	-		<u>28,794</u>	<u>99.99</u>	<u>268,096,793</u>	<u>33.82</u>
Nestlé S.A, Switzerland *			<u>1</u>	<u>0.003</u>	<u>524,559,457</u>	<u>66.18</u>
			<u>28,795</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 8.37%, no other shareholder held 5% or more of the paid-up capital of the Company as at 31 March 2019.

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 18 (2018: 19) physically challenged persons in its employment as at 31 March 2019.

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.

We are committed to a healthy workforce through the provision of a robust health scheme among other initiatives. 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. Furthermore, we operate on-site Clinics at each of our operating locations of Ilupeju Head Office, Agbara Distribution Centre and the Factories in Agbara, Flowergate and Abaji locations, which provide health care service to its employees who have reason to access care while at work, in the first instance.

Directors' report

The above is in keeping with the provisions of 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. We also pride ourselves in the running of annual Nutrition, Health and Wellness week across our main operating locations with topics drawn carefully to benefit employees and their private family life. We also provide one meal per day, 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 events and trends are published periodically. We hold regular briefing sessions at corporate and operational levels to enhance exchange of information. As a business, we also implement employee recognition scheme to appreciate creative and innovative contribution from the employees.

Leadership, 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 inaugurated the Nestle Technical Training Center (NTTC) Abaji to complement the success story of Agbara Factory and through that enhance availability of technical and middle level personnel for the Northern part of the country where Abaji Factory is situated. The multi-skill engineering training runs for a period of 18 months during which students are registered and presented for the fully funded C & G examinations. We are proud to state that almost all the candidates who passed through the Technical Training School model of Nestle Nigeria are employed

15 Remuneration Committee

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

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 22 May 2018. Members that served on the audit committee during the year comprise:

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

17 Risk Management Committee

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

18 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.

19 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.

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

Corporate Business Principles

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

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

(a) Nutrition, Health and Wellness

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

(b) Quality Assurance and Product Safety

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

(c) Consumer Communication

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

(d) Human Rights in Our Business Activities

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

Directors' report

(e) Leadership and Personal Responsibility

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

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

(f) Safety and Health at Work

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

We have Clinics in our Factories, Distribution Centre and Head Office. The Clinics at the factories operate 24 hours service. Also 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.

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.

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

As at 31 March 2019, the staff strength of the Company was 2200 (2017: 2,213). 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 13 (2018: 13) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Switzerland, Senegal, Dubai, South Africa, Indonesia and Germany 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

Directors' report

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.

21 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
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 2019, 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 2019 were approved by directors on 29 April, 2019

Signed on behalf of the Directors of the Company:



David Ifezulike
(Chairman)
FRC/2013/NIM/0000003355
29 April 2019



Mauricio Alarcon
(Managing Director)
FRC/2017/NIM/00000016043
29 April 2019



Jagdish Singla
(Finance & Control Director)
FRC/2018/ICAN/00000018560
29 April 2019

Statement of Profit or loss and Comprehensive Income

In thousands of naira


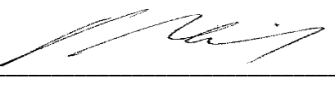
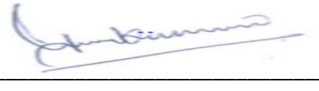
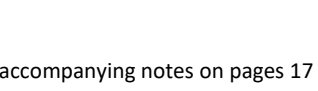
	<i>Note</i>	<u>Jan - March 2019</u>	<u>Jan - March 2018</u>
Revenue	5	70,966,754	67,463,648
Cost of sales		<u>(39,497,884)</u>	<u>(41,705,831)</u>
Gross Profit		31,468,870	25,757,817
Marketing and distribution expenses		(10,371,484)	(9,029,860)
Administrative expenses		<u>(2,010,834)</u>	<u>(2,208,941)</u>
Results from operating activities		<u>19,086,552</u>	<u>14,519,016</u>
Finance income		504,003	281,299
Finance costs		<u>(469,353)</u>	<u>(1,159,890)</u>
Net finance income/cost	6	<u>34,650</u>	<u>(878,591)</u>
Profit before income tax		19,121,202	13,640,425
Income tax expense	8	(6,274,881)	(5,034,544)
Profit for the period		<u>12,846,321</u>	<u>8,605,881</u>
Other comprehensive income		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>12,846,321</u>	<u>8,605,881</u>
Profit for the period is attributable to:			
Owners of the company		<u>12,846,321</u>	<u>8,605,881</u>
Total comprehensive income for the period is attributable to:			
Owners of the company		<u>12,846,321</u>	<u>8,605,881</u>
Earnings per share		N	N
Basic earnings per share		<u>16.21</u>	<u>10.86</u>
Diluted earnings per share		<u>16.21</u>	<u>10.86</u>

The accompanying notes on pages 17 to 27 form an integral part of these financial statements.

Statement of Financial Position
As at 31 March 2019
In thousands of naira

	Note	Mar 2019	Dec 2018
Assets			
Property, plant and equipment	9	76,193,061	73,365,523
Long term receivables	10	2,595,235	2,237,105
Long term prepayment		-	3,997,477
Total non-current assets		78,788,296	79,600,105
Inventories	11(a)	26,056,983	23,124,020
Right of return assets	11(b)	90,332	351,995
Trade and other receivables	12	38,303,948	42,175,062
Contracts Assets	18(a)	1,358,079	93,179
Prepayments	13	3,325,059	1,228,025
Cash and cash equivalents	14	29,547,507	15,762,036
Total current assets		98,681,908	82,734,317
Total assets		177,470,204	162,334,422
Equity			
Share capital	15(a)	396,328	396,328
Share premium	15 (b)	32,262	32,262
Share based payment reserve	15 (c)	45,753	154,788
Retained earnings		62,483,429	49,637,108
Total Equity		62,957,772	50,220,486
Liabilities			
Loans and borrowings		5,702,176	5,921,494
Employee benefits	16	2,743,137	2,700,673
Deferred tax liabilities		11,961,641	11,374,268
Total non- current liabilities		20,406,954	19,996,435
Trade and other payables	17	57,849,461	60,384,454
Contract liabilities	18(b)	4,610,823	3,858,793
Refund liabilities	11(b)	169,662	615,211
Bank Overdraft	14	-	1,393,678
Current tax liabilities		29,317,495	23,629,987
Loans and borrowings		1,012,962	1,026,458
Provisions		1,145,075	1,208,920
Total current liabilities		94,105,478	92,117,501
Total liabilities		114,512,432	112,113,936
Total equity and liabilities		177,470,204	162,334,422

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 17 to 27 form an integral part of these financial statements.

Statement of Changes in Equity

Attributable to equity holders of the company

In thousands of naira

<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Share based payment reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
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
Other comprehensive income	-	-	-	-	-
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
Balance at 1 January 2018	396,328	32,262	147,236	44,302,351	44,878,177
Profit for the year					
Profit or loss	-	-	-	8,605,881	8,605,881
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

The accompanying notes on pages 17 to 27 form an integral part of these financial statements.

Statement of Cash Flows

In thousands of naira

	Note	Mar 2019	Mar 2018	Dec 2018
Cash flows from operating activities				
Profit for the period		12,846,321	8,605,881	43,008,026
Adjustments for:				
Depreciation and impairment of property, plant and equipment and right-of use assets	15	1,694,779	5,118,529	11,354,763
Net foreign exchange difference	6	(18,852)	638,669	96,069
Net finance (income)/cost		(15,799)	239,922	793,815
Equity settled share based payment transactions		19,777	20,486	80,326
Provisions for other long term employee benefits	16	163,908	318,302	699,084
(Profit)/Loss on sale of property, plant and equipment		144,140	(5,489)	358,819
Income tax expense	8	6,274,881	5,034,544	16,742,820
		<u>21,109,155</u>	<u>19,970,844</u>	<u>73,133,722</u>
Changes in long term receivables		(358,130)	86,597	(315,873)
Change in Long term prepayment (less IFRS 16 reclassification)		-	-	(3,763,307)
Change in inventories		(2,932,963)	(5,402,324)	786,284
Change in right of return assets		261,663	-	(209,526)
Change in trade and other receivables		3,871,114	(3,718,242)	(10,833,138)
Change in contract asset		(1,264,900)	-	(50,002)
Change in prepayments (less IFRS 16 reclassification)		(2,525,467)	(6,124,022)	563,151
Change in trade and other payables (excluding dividend payable)		(2,203,732)	20,553,750	21,696,280
Change in contract liabilities		752,030	511,888	471,532
Change in refund liabilities		(445,549)	-	372,116
Changes in provisions		(63,845)	-	310,052
Cash generated from operating activities		<u>16,199,376</u>	<u>25,878,491</u>	<u>82,161,291</u>
Income tax paid		-	-	(7,195,394)
Other long term employee benefit paid		(121,444)	(56,136)	(274,332)
Share based payment recharge paid		(128,812)	(72,774)	(72,774)
Net cash in flow from operating activities		<u>15,949,120</u>	<u>25,749,581</u>	<u>74,618,791</u>
Cash flow from investing activities				
Finance income		504,003	281,299	1,716,889
Proceeds from sale of property, plant and equipment		16,400	5,693	26,138
Acquisition of property, plant and equipment		(256,947)	(1,071,595)	(12,727,302)
Net cash used in investing activities		<u>263,456</u>	<u>(784,603)</u>	<u>(10,984,275)</u>
Cash flow from financing activities				
Repayments of borrowings -- Intercompany loan		-	(2,750,435)	(12,543,788)
-- Bank loan		(158,518)	(292,322)	(1,114,742)
Finance cost paid		(543,649)	(910,381)	(2,478,200)
Dividends paid		(331,260)	(8,098,619)	(44,554,195)
Net cash used in financing activities		<u>(1,033,427)</u>	<u>(12,051,757)</u>	<u>(60,690,925)</u>
Net increase in cash and cash equivalents		15,179,149	12,913,221	2,943,591
Cash and cash equivalent at January 1		14,368,358	11,424,767	11,424,767
Cash and cash equivalent at Period end		<u>29,547,507</u>	<u>24,337,988</u>	<u>14,368,358</u>

The accompanying notes on pages 17 to 27 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 and outside Africa.

2 Basis of accounting

(a) Basis of preparation

The interim condensed financial statements for the period ended 31 March 2019 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 2018.

(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 Changes in accounting policies and disclosures

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 Leases and as required by IAS 34, the nature and effect of these changes are disclosed below.

Impact of application of IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

In thousands of naira

Assets

1 January 2019

Right-of-use assets	4,425,910
Property, plant and equipment	4,425,910
Long Term Prepayments	(3,997,477)
Prepayments	(428,433)
Total assets	-

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of land and building. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously classified as finance leases

As at the time of transitioning, the Company had no lease classified as finance lease, hence, there was no impact in the financial statements.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of N4,425,910,000 were recognised and presented separately in the statement of financial position.
- Long Term Prepayments of N3,997,477,000 related to previous operating leases were derecognised.
- Prepayments of N428,433,000 related to previous operating leases were derecognised.

As at 1 January 2019, the Company did not recognise any lease liability as all lease obligations were prepaid and there was no right of renewal on any contract which is probable of being exercised.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

• **Right-of-use assets**

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the company obtains substantially all the economic benefits from the use of that asset, and whether the company has the right to direct the use of the asset.

The Company recognizes a right-of-use (ROU) asset and a lease liability (where applicable) at the lease commencement date, except for short term leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the heading property, plant and equipment.

• **Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below N3,600,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

c) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets		
	Land N'000	Building N'000	Total N'000
As at 1 January 2019	4,102,547	323,363	4,425,910
Additions (Note 9)	-	59,685	59,685
Depreciation expense	(35,787)	(64,264)	(100,051)
As at 31 March 2019	4,066,760	318,784	4,385,544

The Company recognised rent expense from short-term leases of N50,033,000 and leases of low-value assets of N9,905,000 for the three (3) months ended 31 March 2019.

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, Nutrend, Nan, Lactogen and Golden Morn.
Beverages	This includes the production and sale of Milo, Chocomilo, Nido, 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	
	2019	2018	2019	2018	2019	2018	2019	2018
External Revenues	45,468,106	43,014,417	25,498,648	24,449,231	-	-	70,966,754	67,463,648
Interest revenue	-	-	-	-	504,003	281,299	504,003	281,299
Interest expense	-	-	-	-	(469,353)	(1,159,890)	(469,353)	(1,159,890)
Depreciation	(1,026,087)	(1,053,282)	(668,692)	(653,354)	-	-	(1,694,779)	(1,706,636)
Impairment loss	-	-	-	(3,411,892)	-	-	-	(3,411,892)
Amortisation	-	-	-	-	-	-	-	-
Reportable segment profit before income tax	13,126,169	12,743,471	5,960,383	1,775,545	34,650	(878,591)	19,121,202	13,640,425

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

	March 2019	March 2018
Nigeria	69,952,307	66,348,285
Export	1,014,447	1,115,363
Total Revenue	70,966,754	67,463,648

6 Net finance cost

In thousands of naira

	March 2019	March 2018
Interest income on bank deposits	504,003	281,299
Finance Income	504,003	281,299
Interest expense on financial liabilities	(488,205)	(521,221)
Net foreign exchange gain/(loss)	18,852	(638,669)
Finance expense	(469,353)	(1,159,890)
Net finance(income)/ cost	34,650	(878,591)

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N143 million (2018: N221 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	March 2019	March 2018
Depreciation		1,694,779	1,706,637
Impairment loss		-	3,411,892
Personnel expenses		5,754,060	5,598,506
Loss/(profit) on property, plant and equipment disposed		144,140	(5,489)
Net foreign exchange (gain)/loss		(18,852)	638,669
General licence fees		2,640,131	2,489,800

Welfare and other personnel expenses

	March 2019	March 2018
Salaries and wages	3,024,319	2,855,932
Welfare and end of service benefit	2,729,741	2,742,574
	5,754,060	5,598,506

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:

In thousands of naira

Current tax expense

	March 2019	March 2018
Current period income tax	5,234,206	4,311,335
Current period tertiary education tax	453,302	347,197
	<u>5,687,508</u>	<u>4,658,532</u>

Deferred tax (credit)/expense

Origination and reversal of temporary differences

	587,373	376,012
Total income tax expense	<u>6,274,881</u>	<u>5,034,544</u>

Notes to the financial statements

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	Right of Use Asset	Total
Cost									
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		380,365	1,350,095	711,490	1,379,449	172,982	8,732,921	-	12,727,302
Disposals		(297,618)	(219,697)	(265,124)	(61,648)	(185,701)	-	-	(1,029,787)
Transfers		632,821	2,356,469	247,649	1,698,536	220,640	(5,156,114)	-	(0)
Balance at 31 December 2018		32,594,688	66,161,074	3,517,941	11,145,286	1,400,878	9,357,642	-	124,177,510
Impact of IFRS 16 on leases		-	-	-	-	-	-	4,425,910	4,425,910
Balance at 1 January 2019		32,594,688	66,161,074	3,517,941	11,145,286	1,400,878	9,357,642	4,425,910	128,603,419
Additions		3,122	72,827	-	105,216	16,097	-	59,685	256,947
Disposals		-	(219,604)	(48,083)	(44,751)	-	-	-	(312,438)
Transfers		125,841	517,347	14,175	223,995	108,464	(989,822)	-	0
Balance at 31 March 2019		32,723,651	66,531,644	3,484,033	11,429,746	1,525,439	8,367,820	4,485,595	128,547,928
Accumulated depreciation and impairment losses									
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	819,408	4,141,967	507,644	1,244,304	192,965	-	-	6,906,288
Impairment		1,867,843	2,575,092	-	5,541	-	-	-	4,448,476
Disposals		(813)	(136,768)	(260,894)	(60,822)	(185,533)	-	-	(644,830)
Balance at 31 December 2018		8,332,409	32,304,309	1,865,774	7,280,818	1,028,677	-	-	50,811,987
Balance at 1 January 2019		8,332,409	32,304,309	1,865,774	7,280,818	1,028,677	-	-	50,811,987
Depreciation	7	208,740	862,148	149,959	313,910	59,971	-	100,051	1,694,779
Impairment loss		-	-	-	-	-	-	-	-
Disposals		-	(64,346)	(48,083)	(39,469)	-	-	-	(151,898)
Balance at 31 March 2019		8,541,149	33,102,110	1,967,650	7,555,259	1,088,648	-	100,051	52,354,867
Carrying amounts									
At 1 January 2018		26,233,149	36,950,188	1,204,902	2,037,154	171,713	5,780,835	-	72,377,942
At 31 December 2018		24,262,279	33,856,766	1,652,167	3,864,468	372,202	9,357,642	-	73,365,523
At 1 January 2019		24,262,279	33,856,766	1,652,167	3,864,468	372,202	9,357,642	4,425,910	77,791,433
At 31 March 2019		24,182,501	33,429,535	1,516,383	3,874,487	436,791	8,367,820	4,385,544	76,193,061

Notes to the financial statements

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

	2019	2018
Long term Staff receivable	2,147,972	1,989,120
Amount due from Customers on account of trade assets deployed	447,263	247,985
	2,595,235	2,237,105

11(a) Inventories

In thousands of naira

	2019	2018
Raw and packaging materials	12,052,348	8,112,500
Product in process	687,935	841,045
Finished products	4,997,299	6,797,789
Engineering spares	4,416,406	4,141,920
Goods in transit	3,902,995	3,230,766
	26,056,983	23,124,020

11(b) Right of return assets and refund liabilities

In thousands of naira

	2019	2018
Right to returned goods asset	90,332	351,995
<i>Refund liabilities</i>		
Arising from rights of return	169,662	615,211

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

	Note	2019	2018
Trade receivables		21,300,476	18,897,443
Loans to key management personnel		38,718	17,181
Staff loans		2,646,247	2,469,219
Trade receivables due from related parties		2,946,323	2,533,699
Deposit with Company registrars for dividend		1,823,123	2,154,383
Allowance for expected credit losses		(3,677,193)	(3,709,060)
Loans and receivables		25,077,694	22,362,865
Advance payment to suppliers		8,175,783	11,778,913
Deposit for Import		6,066,471	9,365,047
Other receivables		1,579,235	905,342
		40,899,183	44,412,167
Non-current - reclassified to long term receivables		2,595,235	2,237,105
Current		38,303,948	42,175,062
		40,899,183	44,412,167

Notes to the financial statements

13 Prepayments

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

14 Cash and cash equivalents

In thousands of naira

	2019	2018
Cash and bank balances	18,344,855	10,898,112
Short term investment	11,202,652	4,863,924
Cash and cash equivalents in the statement of financial position	29,547,507	15,762,036
Bank overdrafts used for cash management purposes	-	(1,393,678)
Cash and cash equivalents in the statement of cash flows	29,547,507	14,368,358

15 Capital and reserves

(a) Ordinary shares

(i) Authorised ordinary shares of 50k each

In number of shares

	2019	2018
At 31 March	792,656,252	792,656,252

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

In number of shares

	2019	2018
At 31 March	792,656,252	792,656,252
Nominal value (In thousands of naira)	396,328	396,328

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

(b) Share premium

In thousands of Naira

	2019	2018
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.

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>	2019	2018
Balance at 1 January	2,700,673	2,275,921
Expense/(Income) for the period	163,908	699,084
Payments during the period	(121,444)	(274,332)
Balance at Period end	2,743,137	2,700,673

17 Trade and other payables

In thousands of naira

	2019	2018
Trade payables	27,900,503	28,622,554
Other payables and accruals	14,185,848	14,389,665
Trade payables due to related parties	10,519,998	11,797,862
Dividend payable	5,243,112	5,574,373
	57,849,461	60,384,454

18 Contract balances

(a) Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer i.e. earned consideration that is conditional. It represents the value of goods transferred to the customers but yet to be delivered as at period end.

(b) Contract liabilities

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

<i>In thousands of naira</i>	2019	2018
Accrued incentive	4,209,005	2,704,684
Advance received from customers	401,818	1,154,109
	4,610,823	3,858,793