

**Nestlé Nigeria Plc**

**Annual Report and Financial Statements for the year ended 31 December 2021**

**Together with Directors' and Auditor's Reports**

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## Directors' and other Corporate Information

<b>Board of Directors:</b>	Mr. David Ifezulike Mr. Wassim Elhusseini (Lebanese) Mr. Jagdish Singla (Indian) Mr. Ibukun-olu Ipinmoye - (Appointed 1st August 2021) Mr. Mauricio Alarcon (Mexican) Mr. Ricardo Chavez (Mexican) Mr. Gbenga Oyeboode Ms. Juliet Ehimuan Mrs Adebisi Lamikanra - (Appointed 1st August 2021)	Chairman Managing Director/Chief Executive Officer Finance & Control Director Executive Director Non-Executive Director Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
<b>Company Secretary/ Legal Adviser</b>	Mr. Bode Ayeku	
<b>Registered Office:</b>	22-24 Industrial Avenue Ilupeju, Lagos Tel: 01 – 2798184, 2798188, 2790707	
<b>Registrar:</b>	Greenwich Registrars & Data Solutions Limited 274 Murtala Muhammed Way Alagomeji, Yaba, Lagos Tel: 01- 5803369, 5451399, 5803367	
<b>Independent Auditor:</b>	Ernst & Young 10th & 13th floors, UBA House 57 Marina Lagos, Nigeria Tel: +234(1)6314500	
<b>Members of the Audit Committee</b>	Mr. Matthew Akinlade Alhaji Kazeem Owonikoko Bello Mr. Christopher Nwaguru Mr. Ricardo Chavez (Mexican) Up to 22/06/2021 Mr. Gbenga Oyeboode Ms. Juliet Ehimuan Up to 31/07/2021 Mrs. Adebisi Lamikanra From 01/08/2021	Chairman Shareholders' Representative Shareholders' Representative Directors' Representative Directors' Representative Directors' Representative Directors' Representative

## Financial Highlights

*In thousands of naira*

	2021	2020	Increase/ (decrease) %
Revenue	351,822,329	287,084,087	23%
Profit before income tax	61,875,342	60,638,443	2%
Profit for the year	40,037,277	39,212,025	2%
Declared dividend*	47,955,703	55,485,937	-14%
Issued Share capital	396,328	396,328	-
Total equity	21,378,209	29,296,984	-27%

### Data per 50k share

Basic earnings	N50.51	N49.47
Declared dividend	N60.50	N70.00
Net assets	N26.98	N36.96

### Dividend per 50k share in respect of current year results only

Interim dividend declared	N25.00	N25.00
Final dividend proposed**	N25.50	N35.50

### Stock Exchange Information

Stock exchange quotation at 31 December in Naira per share	1,556.50	1,505.00	3%
Number of shares issued ('000)	792,656	792,656	-
Market capitalisation at 31 December (N: million)	1,233,769	1,192,948	3%

\* Declared dividend represents the interim dividend declared during the year (N25.00 from the current year 31 December 2021 profit) and final dividend proposed for the preceding year but paid in the current year.

\*\* The directors propose a final dividend of N25.50, from current year profit (2020:N35.50) per share on the issued share capital of 792,656,252 (2020:792,656,252) ordinary shares of 50k each, subject to approval by the shareholders at the Annual General Meeting.

## Directors' Report

### 1 Financial Statements

The directors present their annual report on the affairs of Nestlé Nigeria Plc ("the Company"), together with the financial statements and independent auditor's report for the year ended 31 December 2021.

### 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:

	2021	2020
	N'000	N'000
Revenue	351,822,329	287,084,087
Results from operating activities	71,965,945	64,418,583
Profit before income tax	61,875,342	60,638,443
Profit for the year	40,037,277	39,212,025
Total comprehensive income for the year	40,037,277	39,212,025

### 4 Dividend

The Directors recommend the payment of a final dividend of N25.50K (2020: N35.50) per share having earlier declared an interim dividend of N25.00 (2020: N25.00) from the profit of 2021 on the issued share capital of 792,656,252 (2020:792,656,252) ordinary shares of 50k each. The proposed final dividend of N25.50K is composed of N25.50K from the after tax profit for the year ended 31 December 2021. If the proposed dividend of N25.50K is approved by the shareholders, it will be subject to deduction of withholding tax at the applicable rate and the total dividend paid for the year will be N50.50K

### 5 Directors and Their Interests

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

		Interest in the Ordinary Shares of the Company	
		2021	2020
Mr. David Ifezulike	- Chairman	56,255	56,255
Mr. Wassim Elhousseini	- MD/CEO	Nil	Nil
Mr. Jagdish Singla (Indian)		Nil	Nil
Mr Ibukun-olu Ipinmoye - (Appointed 1st August 2021)		2,328*	2,328*
Mr. Mauricio Alarcon (Mexican)		Nil	Nil
Mr. Ricardo Chavez (Mexican)		Nil	Nil
Mr. Gbenga Oyeboode		Nil	Nil
Ms. Juliet Ehimuan		2,146	2,146
Mrs Adebisi Lamikanra - (Appointed 1st August 2021)		Nil	Nil

No Shares of the Company were held by Nestle S.A Switzerland and Societe Des Produits Nestle S.A. as indirect holdings in favour of Directors. However, as at 31 December 2021, Mr. Wassim Elhousseini has 2,472 Restricted Stock Units (RSUP) options in Nestlé S.A. Switzerland, all of which are outstanding i.e. to be vested in the coming three years; Mr. Jagdish Singla has 1651 shares plus 1214 RSUP options of Nestlé S.A. Switzerland and 75 shares of Nestlé India Limited; Mr. Ricardo Chavez has 20,746 shares of Nestlé S.A.Switzerland and 3,336 RSUP options of Nestlé S.A. Switzerland and Mr. Mauricio Alarcon has 6553 shares of Nestlé S.A. Switzerland. Mr. Mauricio Alarcon and Mr. Ricardo Chavez are representing Nestlé S.A., Switzerland on the Board. \*Out of the 2,328 shares of Nestle Nigeria Plc held by Mr. Ibukun Ipinmoye, 2,328 shares are managed on his behalf by FBN Quest Trustees Limited. Mr. Ipinmoye has 274 RSUP options of Nestle S.A. Switzerland.

- (b) Mr. Gbenga Oyeboode is the Chairman of CFAO Nigeria Plc, one of our vehicle suppliers.Mrs. Adebisi Lamikanra is a director of Standard Chartered Bank,one of our bankers. In accordance with Section 303 of the Companies and Allied Matters Act of Nigeria, they have notified the Company of their position with CFAO Nigeria Plc and Standard Chartered Bank respectively.
- (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 23(a)(iv) to the financial statements.

## Directors' Report-Continued

### 6 Records of Directors' Attendance

Further to the provisions of Section 284(2) of the Companies and Allied Matters Act of Nigeria, the Record of Directors' Attendance at Board Meetings held in 2021 is available at the Annual General Meeting for inspection.

### 7 Analysis of Shareholdings

		Number of shareholders	%	Number of shares	%
1 -	5,000	26,918	89.71	20,868,814	2.63
5,001 -	10,000	1,547	5.16	10,607,659	1.34
10,001 -	50,000	1,211	4.04	24,184,400	3.05
50,001 -	100,000	135	0.45	9,363,402	1.18
100,001 -	500,000	129	0.43	26,225,197	3.31
500,001 -	1,000,000	25	0.08	18,196,410	2.30
1,000,001 -	5,000,000	28	0.09	54,500,143	6.88
5,000,001 -	10,000,000	8	0.03	53,992,260	6.81
10,000,001 and above		2	0.01	25,571,897	3.23
		30,003	99.99	243,510,182	30.72
Nestlé S.A, Switzerland *		1	0.00	24,586,613	3.10
Societe Des Produits Nestle S.A		1	0.00	524,559,457	66.18
		30,005	100	792,656,252	100

\* Apart from Societe Des Produits Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18%), no other shareholder held 5% or more of the paid-up capital of the Company as at 31 December 2021.

\*\* We hereby confirm that the free float of the Company is in compliance with The Nigerian Exchange Group's free float requirements of the Main Board on which Nestle Nigeria Plc is listed.

### 8 Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 15 to the financial statements. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the carrying value shown in the financial statements.

### 9 Donations

The value of gifts and donations made by the Company during the year amounted to N552,100,014 (2020: N797,709,898 ) and analysed as follows:

	2021 N'000	2020 N'000
Nestle community water projects,school projects and scholarship scheme	197,346	22,418
COVID-19 relief donations	255,000	735,300
Nestle for healthier kids	24,120	13,456
Others	75,634	26,536
	<b>552,100</b>	<b>797,710</b>

### COVID-19 Response

In 2021, the company continued to support the Governments' efforts to mitigate the economic impact of COVID-19. In addition to efforts to support the exit of SME's from the economic effect of the health crisis, Nestlé Nigeria also contributed N255,000,000.00 towards the rehabilitation of Police personnel, equipment and infrastructure decimated by the post COVID riots across Nigeria.

The safety of our people remained our key priority as we focused on meeting the needs of consumers across the country.

In compliance with Section38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose during the year. In addition to the above mentioned donations, the Company continued with its strong focus on creating shared values initiatives. Nestlé Nigeria invested in technical and employability skills building for youth and in building the capacity of farmers to increase their productivity and income. The Company also worked alongside partners to improve the household nutrition of local farmers through trainings in grain quality improvement and food transformation/preservation techniques.

## Directors' Report-Continued

### 10 Nestlé Nigeria Trust (CPFA) Limited ("NNTL")

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

### 11 Local Sourcing of Raw Materials

On a continuing basis, the Company explores the use of local raw materials in its production processes and has successfully introduced the use of locally produced items such as soya bean, maize, cocoa, palm olein and sorghum in a number of its products.

### 12 Major Distributors

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

### 13 Suppliers

The Company procures all of its raw materials on a commercial basis from overseas and local suppliers. Amongst the overseas suppliers are companies in the Nestlé Group.

### 14 General Licence Agreement

The Company has a general licence agreement with Societe des Produits Nestlé S.A., 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 007459 for the remittance of General Licence Fees to Societe des Produits Nestlé S.A., Switzerland. The approval is for a period of three (3) years with effect from 1st January 2021 to 31st December 2023.

### 15 Acquisition of Own Shares

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

### 16 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 15 (2020: 17) physically challenged persons in its employment as at 31 December 2021.

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

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

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

The Company operates its own clinics which provide quick health care to its employees. In pursuit of efforts to improve health infrastructure and enhance the quality of care for the employees, the company has built 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 The modernization of the medical facilities by the Company is in line with Nestlé Corporate Business principles of promoting safe and healthy work environment for the employee.

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

## **Directors' Report-Continued**

### **( 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 seven (7) sets of technical students from Nestle Technical Training Center (NTTC) in Agbara and Abaji factories. The multi-skill engineering training runs for a period of 18 months. The total number of those who have so far completed the programme till date is one hundred and nineteen (119). The cost of the training was fully paid by our Company. The success of the NTCC in our Agbara factory has spurred us on to replicate and adapt the NTTC 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. We are pleased to inform the stakeholders that the 6th and 7th batches of NTTC that completed their 18 months program in 2021 recorded outstanding results despite the impact of COVID-19. The best graduating trainee had 33 distinctions from City and Guild examinations from levels 3 to 5. In order to reduce unemployment, a total of one hundred and eight (108) graduates made up of eight (8) of the thirteen (13) graduates from the first batch, thirteen (13) graduates from the second batch, all the twenty (20) graduates from the third batch, a total of twenty-seven graduates (27) from the fourth and fifth batches and the twenty each in the sixth and seventh batches were given employment by our Company. The other eleven (11) graduates are in full time employment with other organizations.

We have admitted another forty (40) Trainees (twenty (20) in Agbara factory and Abaji factory each) as the eight and ninth batches of students respectively in 2021 for another 18 months programme. The sixth batch of twenty students in Agbara factory completed the 18-months program in February 2021 and recorded outstanding results despite the impact of COVID-19. The best graduating trainee had 22 distinctions from City and Guild examinations from level 3 to 5. Other good news is that all the trainees have been employed by the Company as part of its commitment to youth development and economic empowerment.

## **17 Nomination, Governance and Remuneration Committee**

### **Composition of Board Committees**

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

The members of the Committee are Mr. Mauricio Alarcon, Mr. Ricardo Chavez and Mr. Gbenga Oyeboode.

## **18 Audit Committee**

In accordance with section 404 of the Companies and Allied Matters Act of Nigeria 2020, members of the audit committee of the Company were elected at the Annual General Meeting held on 22 June 2021. Members that served on the audit committee during the year comprise:

Mr. Matthew Akinlade (Chairman)	Shareholders' Representative
Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
Mr. Christopher Nwaguru	Shareholders' Representative
Mr. Gbenga Oyeboode	Directors' Representative
Mr. Ricardo Chavez -Up to 22 June 2021	Directors' Representative
Ms. Juliet Ehimuan - Up to 31/07/2021	Directors' Representative
Mrs. Adebisi Lamikanra - From 1/08/2021	Directors' Representative

## **19 Board Audit and Risk Management Committee**

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



## Directors' Report

### 20 Effectiveness of Internal Control System

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the assets of the Company. The system of internal control is to provide reasonable assurance against material misstatement, prevent and detect fraud and other irregularities.

There is an effective internal control and audit function within the Company which gives reasonable assurance against any material misstatement or loss. The responsibilities include oversight functions of internal audit and control risk assessment and compliance, continuity and contingency planning, and formalisation and improvement of the Company's business processes.

### 21 Disclosures

#### a) Borrowings and Maturity Dates

The details of the borrowings and maturity dates are stated in Note 24 to the financial statements.

#### b) Risk Management and Compliance System

The directors are responsible for the total process of risk management as well as expressing their opinion on the effectiveness of the process. The risk management framework is integrated into the day-to-day operations of the business and provides guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market, technology and compliance risk. The directors are of the view that effective internal audit function exists in the Company and that risk management control and compliance systems are operating efficiently and effectively in all respects.

The Company has a structured Risk Management process in place and undertakes at least annually a thorough Risk Assessment covering all aspects of the business. The Risk Assessment is based on the two criteria "Business Impact" and "Likelihood of Occurrence". For every identified Business risk, mitigating measures are implemented by the Company.

#### c) Sustainability Initiatives

The Company pays adequate attention to the interest of its stakeholders such as its employees, host community, the consumers and the general public. Also, the Company is sensitive to Nigerian's social and cultural diversity and promotes as much as possible national interests as well as national ethos and values without compromising global aspirations where applicable. The Company has a culture of integrity and zero tolerance to corruption and corrupt practices.

#### d) Related Party Transactions

The Company has contractual relationship with related companies in the ordinary course of business. 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.

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## 22 Report on Social, Ethical, Safety, Health and Environmental Policies and Practices

### Corporate Business Principles

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

Consumers			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-Continued

### (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. 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.

### (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 December 2021, the staff strength of the Company was 2,268 (2020: 2,239). 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 23 (2020: 16) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Cameroun, South Africa, Switzerland, Colombia and Malaysia in order to give them the required exposure to enable them take up higher responsibilities.

### (l) Bribery and corruption

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

### 23 Insider Trading

The directors of the Company and senior employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Stock Exchange. As required by law, the shares held by directors are disclosed in the annual report. Our Company has securities trading policy applicable and circulated to directors, insiders, external advisers and all employees that may at any time possess any inside or material information about our Company. The securities trading policy is also available on the website of the Company.

Our Company has adopted a code of conduct regarding securities transaction by the directors on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Stock Exchange. The Company has made specific enquiry of all directors whether they have complied with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by directors and the Company is not aware of any non-compliance.

### 24 Remuneration of Managers of the Company required to be disclosed by the Companies and Allied Matters Act 2020 (CAMA)

Section 238 of CAMA provides that the disclosure of the remuneration of the managers of a company should be an item under the ordinary business at an annual general meeting. Based on the definition of "manager" in the Companies Regulations 2021, we hereby disclose that the total remuneration of the twenty-one (21) management staff (including the current and past executive directors) of the Company for the year ended 31 December 2021 is N1.267 billion."

BY ORDER OF THE BOARD



Bode Ayeku, FCIS  
Company Secretary/Legal Adviser

*FRC/2012/NBA/00000000637*

22-24, Industrial Avenue  
Ilupeju,  
Lagos.

**CERTIFICATE OF ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**Certification Pursuant to Section 405(1) of Companies and Allied Matter Act, 2020**

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2021 that:

- a. We have reviewed the report;  
To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;
- b. To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.
- c. We:
  - are responsible for establishing and maintaining internal controls.
  - have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
  - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- d. We have disclosed to the auditors of the Company and Audit Committee:
  - All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
  - Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



**Wassim Elhousseini**

**Managing Director**

**FRC/2020/003/00000022041**



**Jagdish Singla**  
**Chief Financial Officer**

**FRC/2018/ICAN/00000018560**

**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 December 2021, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

**Going Concern:**

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2021 were approved by directors on 25th February, 2022

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:




**David Ifezulike**  
**(Chairman)**

*FRC/2013/NIM/00000003355*



**Wassim Elhusseini**  
**(Managing Director)**

*FRC/2020/003/00000022041*



**Jagdish Singla**  
**(Finance & Control Director)**

*FRC/2018/ICAN/00000018560*

**AUDIT COMMITTEE OF  
Nestlé Nigeria PLC** (RC 6540)



22-24, INDUSTRIAL AVENUE, ILUPEJU  
P.M.B. 21164, IKEJA, NIGERIA  
TELEPHONES: 01- 2798184, 01-4607688

**REPORT TO THE MEMBERS OF NESTLÉ NIGERIA PLC.**

In accordance with the provisions of Section 404(7) of the Companies and Allied Matters Act, 2020, we have examined the Auditor's Report for the year ended 31 December 2021.

We have obtained all the information and explanations we required.

In our opinion, the Auditor's Report is consistent with our review of the scope and planning of the Audit. We are also satisfied that the Accounting and Reporting policies of the Company are in accordance with legal requirements and agreed ethical practices. Having reviewed the Auditor's findings and recommendations on Management matters, we are satisfied with management responses thereon.

We acknowledge the cooperation of the Auditor, Messrs. Ernst & Young (Chartered Accountants), Management and staff of the Company in performing our duties.

**Dated this 25<sup>th</sup> day of February 2022**  
Lagos, Nigeria

A handwritten signature in blue ink, appearing to read "Matthew Akinlade".

Matthew Akinlade  
Chairman, Audit Committee.  
FRC/2013/ICAN 00000002111



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## **Independent Auditor's Report**

### ***To the Members of Nestlé Nigeria Plc***

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the financial statements of Nestlé Nigeria Plc ('the Company'), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Nestlé Nigeria Plc as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

##### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### ***Key Audit matter***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.





## Independent Auditor's Report

To the Members of Nestlé Nigeria Plc

### Report on the Audit of the Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
<b>Other long-term employee benefits</b>	
<p>As at 31 December 2021, the Company calculated and recorded other long-term employment benefits of N4.04 billion (2020: N4.47 billion) for its employees. The benefits are made available to qualified employees of the Company based on graduated periods of uninterrupted service. The benefits are unfunded.</p> <p>Management engaged an independent actuary to assist the Company in the computation of the other long-term employee benefits.</p> <p>We considered the other long-term benefits to be a key audit matter due to the assumptions used in the estimate and judgement involved in calculation of the other long-term employee benefits obligations. The estimation involves assumptions, particularly with regards to the determination of the discount rates, future salary increases, inflation rates, mortality rates and future pension increases. Changes in a number of these key assumptions used to value the Company's other long-term benefits could have a material impact on the estimation of the liability.</p> <p>Management has disclosed the estimates and assumption on other long-term employee benefits on Note 25 of the financial statements.</p>	<p>Our audit procedures on the other long-term employee benefits include among others:</p> <ul style="list-style-type: none"> <li>- We assessed the competence, independence and objectivity of the actuarial specialists engaged by the Company.</li> <li>- We involved EY actuarial team in performing the following procedures among others: <ul style="list-style-type: none"> <li>• tested the appropriateness of assumptions used in the valuation of the other long-term employee benefits, including salary increases and mortality rate assumptions, by reference to market and entity specific data, both individually and in combination with other assumptions.</li> <li>• Assess the assumption for salary increases against the Company's historical trend and expected future outlook.</li> <li>• Evaluate the key assumptions used in the discount rate and inflation rate assumptions used, which in our view, have significant impact on the scheme valuation and require significant level of management judgement.</li> </ul> </li> <li>- We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking the financial bases and demographic assumptions and other data.</li> </ul>

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Nestlé Nigeria Plc Annual Report and Financial Statements for the year ended 31 December 2021", which includes the Directors and Other Corporate Information, Financial Highlights, Directors' report, Compliance Statements, Statement of Directors' Responsibilities, Audit Committee Report and Other National Disclosures (Value Added Statement and Five-Year Financial Summary), which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.



## **Independent Auditor's Report**

***To the Members of Nestlé Nigeria Plc***

### **Report on the Audit of the Financial Statements - Continued**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of the Directors for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



## **Independent Auditor's Report**

### ***To the Members of Nestle Nigeria Plc***

#### **Report on the Audit of the Financial Statements - Continued**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



## Independent Auditor's Report

*To the Members of Nestle Nigeria Plc*

### Report on the Audit of the Financial Statements - Continued

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company in so far as appears from our examination of those books;
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Omolola Alebiosu  
FRC/2012/ICAN/00000000145  
For Ernst & Young  
Lagos, Nigeria

28 February 2022





**Statement of Profit or loss and other Comprehensive Income for the year ended 31 December 2021**

*In thousands of naira*

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Revenue	9	351,822,329	287,084,087
Cost of sales	11(b)	(219,985,914)	(167,872,616)
<b>Gross Profit</b>		<b>131,836,414</b>	<b>119,211,471</b>
Marketing and distribution expenses	11(b)	(48,097,581)	(43,843,396)
Administrative expenses	11(b)	(11,772,888)	(10,949,492)
<b>Results from operating activities</b>		<b>71,965,945</b>	<b>64,418,583</b>
Finance income		1,987,042	646,546
Finance costs		(12,077,645)	(4,426,686)
<b>Net finance cost</b>	10	<b>(10,090,603)</b>	<b>(3,780,140)</b>
<b>Profit before income tax</b>	11	<b>61,875,342</b>	<b>60,638,443</b>
Income tax expense	13(a)	(21,838,065)	(21,426,418)
<b>Profit for the year</b>		<b>40,037,277</b>	<b>39,212,025</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>40,037,277</b>	<b>39,212,025</b>
<b>Profit for the year is attributable to:</b>			
Owners of the company		40,037,277	39,212,025
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the company		40,037,277	39,212,025
<b>Earnings per share</b>			
Basic earnings per share (Naira)	14 (a)	50.51	49.47
Diluted earnings per share (Naira)	14 (b)	50.51	49.47

The accompanying notes to the financial statements form an integral part of these financial statements.

## Statement of Financial Position as at 31 December 2021

In thousands of naira

	Note	2021	2020
<b>Assets</b>			
Property, plant and equipment	15a	98,964,157	87,265,836
Right of Use Assets	15b	4,848,732	5,054,528
Long term receivables	16	2,501,289	2,363,177
<b>Total non-current assets</b>		<b>106,314,178</b>	<b>94,683,541</b>
Inventories	19	58,964,125	52,222,267
Right of return assets	20	45,443	52,263
Trade and other receivables	21	43,302,758	39,555,290
Prepayments	17	1,093,841	968,426
Cash and cash equivalents	22	100,518,159	58,703,209
<b>Total current assets</b>		<b>203,924,326</b>	<b>151,501,455</b>
<b>Total assets</b>		<b>310,238,504</b>	<b>246,184,996</b>
<b>Equity</b>			
Issued Share capital	23 (a)(i)	396,328	396,328
Share premium	23 (a)(ii)	32,262	32,262
Share based payment reserve	23 (a)(iii)	113,459	113,811
Retained earnings		20,836,160	28,754,583
<b>Total Equity</b>		<b>21,378,209</b>	<b>29,296,984</b>
<b>Liabilities</b>			
Loans and borrowings	24	76,432,859	33,834,202
Employee benefits	25	4,038,600	4,471,021
Lease liabilities	30	283,135	568,084
Deferred tax liabilities	18	12,587,716	11,984,354
<b>Total non- current liabilities</b>		<b>93,342,310</b>	<b>50,857,661</b>
Trade and other payables	28	148,384,425	116,512,689
Contract liabilities	29	15,452,354	8,647,246
Refund liabilities	20	78,963	90,805
Bank Overdraft	22	2,352	2,551
Current tax liabilities	13(b)	28,281,629	30,476,315
Lease liabilities	30	184,821	231,270
Loans and borrowings	24	431,943	6,377,484
Provisions	27	2,701,498	3,691,991
<b>Total current liabilities</b>		<b>195,517,985</b>	<b>166,030,351</b>
<b>Total liabilities</b>		<b>288,860,295</b>	<b>216,888,012</b>
<b>Total equity and liabilities</b>		<b>310,238,504</b>	<b>246,184,996</b>

The Board approved the financial statements on 25th February 2022

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

	)	David Ifezulike
	)	(Chairman)
	)	FRC/2013/NIM/00000003355
	)	Wassim Elhousseini
	)	(Managing Director)
	)	FRC/2020/003/00000022041
	)	Jagdish Singla
	)	(Finance & Control Director)
	)	FRC/2018/ICAN/00000018560

The accompanying notes to the financial statements form an integral part of these financial statements.

**Statement of Changes in Equity for the year ended 31 December 2021**

**Attributable to equity holders of the company**

*In thousands of naira*

	<i>Note</i>	<i>Issued share capital</i>	<i>Share premium</i>	<i>Share based payment reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
<b>As at 1 January 2021</b>		396,328	32,262	113,811	28,754,583	29,296,984
<b>Profit for the year</b>						
Profit for the year		-	-	-	40,037,277	40,037,277
Other comprehensive income for the year; net of taxation		-	-	-	-	-
<b>Total comprehensive income for the year; net of taxation</b>		-	-	-	40,037,277	40,037,277
<b>Transactions with owners, recorded directly in equity</b>						
Dividend to equity holders	23 (b)(i)	-	-	-	(47,955,703)	(47,955,703)
Unclaimed dividend written back	23 (b)(ii)	-	-	-	-	-
Share based payment contribution	23(a) (iii)	-	-	153,761	-	153,761
Share based payment recharge	23(a) (iii)	-	-	(154,113)	-	(154,113)
<b>Balance as at 31 December 2021</b>		<b>396,328</b>	<b>32,262</b>	<b>113,459</b>	<b>20,836,160</b>	<b>21,378,209</b>
<b>Balance as at 1 January 2020</b>		<b>396,328</b>	<b>32,262</b>	<b>123,076</b>	<b>45,005,964</b>	<b>45,557,631</b>
<b>Profit for the year</b>						
Profit for the year		-	-	-	39,212,025	39,212,025
Other comprehensive income for the year; net of taxation		-	-	-	-	-
<b>Total comprehensive income; net of taxation</b>		-	-	-	<b>39,212,025</b>	<b>39,212,025</b>
<b>Transactions with owners, recorded directly in equity</b>						
Dividend to equity holders	23 (b)(i)	-	-	-	(55,485,937)	(55,485,937)
Unclaimed dividend written back	23 (b)(ii)	-	-	-	22,531	22,531
Share based payment contribution	23 (a)(iii)	-	-	259,813	-	259,813
Share based payment recharge	23 (a)(iii)	-	-	(269,078)	-	(269,078)
<b>Balance as at 31 December 2020</b>		<b>396,328</b>	<b>32,262</b>	<b>113,811</b>	<b>28,754,583</b>	<b>29,296,984</b>

The accompanying notes to the financial statements form an integral part of these financial statements.

## Statement of Cash Flows for the year ended 31 December 2021

*In thousands of naira*

	Note	2021	2020
<b>Cash flows from operating activities</b>			
Profit for the year after tax		40,037,277	39,212,025
Adjustments to reconcile profit after tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment and right of use asset	15(a)and(b)	8,409,395	7,751,335
Interest income	10	(1,987,042)	(646,546)
Finance cost	10	12,077,645	4,426,686
Equity settled share based payment transactions	23a(iii)	153,761	259,813
(Credit)/Expense for other long term employee benefits	25	(100,277)	590,940
Loss on disposal of property, plant and equipment	11	245,042	73,207
Write down of inventories	19	2,993,257	2,714,438
Gain on lease modification	30	(69,908)	-
Accretion of interest	30	57,602	-
Income tax expense	13(a)	21,838,065	21,426,418
		83,654,817	75,808,315
(Increase)/Decrease in long term receivables		(138,112)	193,914
Increase in inventories		(9,735,115)	(21,657,761)
Decrease in right of return assets		6,820	6,500
(Increase)/Decrease in trade and other receivables		(3,747,468)	27,249,418
Increase in prepayments		(125,415)	(66,908)
Increase in trade and other payables		12,633,191	1,394,320
Increase in contract liabilities		6,805,108	2,672,847
Decrease in refund liabilities		(11,842)	(16,277)
(Decrease)/Increase in provisions		(990,493)	2,134,431
<b>Cash generated from operating activities</b>		88,351,492	87,718,800
Income tax paid	13 (b)	(23,429,388)	(23,224,064)
Other long term employee benefit paid	25	(332,144)	(427,846)
Share based payment recharge paid	23a(iii)	(154,113)	(269,078)
<b>Net cash flows from operating activities</b>		64,435,845	63,797,809
<b>Cash flows from investing activities</b>			
Finance income	10	1,987,042	646,546
Proceeds from sale of property, plant and equipment		984,218	136,930
Acquisition of property, plant and equipment and right of use assets	15(a) and (b)	(21,076,915)	(16,502,093)
<b>Net cashflows used in investing activities</b>		(18,105,659)	(15,718,617)
<b>Cash flows from financing activities</b>			
Proceeds from loans obtained -- Intercompany loan	24 c	33,350,625	29,902,073
-- Bank loan	24 c	24,949,128	6,377,484
Repayments of borrowings -- Intercompany loan	24 c	-	(5,578,994)
- -- Bank loan	24 c	(29,765,464)	(4,896,294)
Lease payment		(373,350)	799,354
Finance cost paid		(1,946,579)	(1,479,077)
Dividends paid	23(b)	(30,729,397)	(18,745,094)
<b>Net cashflows (used in)/provided by financing activities</b>		(4,515,039)	6,379,452
Net increase in cash and cash equivalents		41,815,149	54,458,645
Cash and cash equivalents at January 1		58,700,658	4,242,013
<b>Cash and cash equivalents at December 31</b>	22	100,515,807	58,700,658

The accompanying notes to the financial statements form an integral part of these financial statements.



## Notes to the financial statements

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## 1 Reporting entity

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

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

## 2 Basis of accounting

### (a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's Board of Directors on **February 25 2022**.

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

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

## 3 Significant accounting policies

The 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.

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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.

**i) Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

**b) Fair value measurement**

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or;
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**c) Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

**i) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Cash & Cash Equivalents

The Company considers three categories as Cash and Cash Equivalents. Cash and Bank balances which comprises of cash at bank and in hand including cash in transit, commercial papers and time deposits whose contractual maturities (or maturities at inception) are of three months or less. Short term investments which includes commercial paper and time deposits whose contractual maturities (or maturities at inception) are comprised between four and twelve months after the closing date, trading portfolios, investments at amortized costs, other short term investments and margin accounts deposited. 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.

#### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are assigned to the following categories that determine their recognition and measurement principles:

- Financial assets at amortised cost,
- Financial assets at fair value through Other Comprehensive Income (FVTOCI),
- Financial assets at fair value through Profit and Loss (FVTPL).

The appropriate category is identified by reference to the specific features of the instrument and to the business model through which the entity expects to generate cash flows (see below).

Classification and measurement of financial assets through the three categories mentioned above require to consider:

- a) Whether the financial asset is a debt instrument or an equity instrument,
- b) When the asset is a debt instrument, how the cash flows are generated by the instrument (i.e. whether the instrument gives rise to cash flows that are Solely Payments of Principal and Interests, 'SPPI') and what is the objective of their possession (i.e. what is the related Business Model).

Financial assets are treated as 'SPPI' when their contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest on the principal amount outstanding.

The interest shall be consistent with the terms of basic lending arrangements, and therefore, should reflect mainly the time value of money and the credit risk associated to the counterparty.

The classification of a financial asset requires also consideration of the objective of the business model and defining whether the objective is:

- To collect contractual cash flow only (i.e. interests and repayment of the principal) generated by the asset, or
- To collect contractual cash flows and sell it.

The definition of the business model is done at a portfolio level in accordance with the Company's Treasury Management Standard (and specific provisions related to insurance entities), not instrument by instrument.

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item. The Company's financial assets at amortised cost include trade receivables, intercompany receivables, staff loans and other receivables.

### **Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortised cost (trade receivables and short-term deposits). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### **(i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### **(ii) Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 60 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**(iii) Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

**(iv) Write off policy**

The Company writes off a financial asset when there is sufficient information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when all economic attempts to recover the outstanding amount have failed or when the period within which the debt can be legally enforced has expired or unable to locate debtor or debtor passed away leaving no asset, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

**(v) Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**vi) Impairment of Financial assets (including trade 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) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### **Subsequent measurement**

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities measured subsequently at amortised cost.

Financial liabilities that are not:

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held-for-trading, or
- (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

### **Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities 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.

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

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

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

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

##### **II. Subsequent costs**

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

##### **III. Depreciation**

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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	3 - 15 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.

#### **e) 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.

##### **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:

<b>Computer software</b>	<b>5 years</b>
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



## f) Leases

### *The Company as a lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-to-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed Lease Payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depends on an index or rate, initially measures using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The Lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a discount rate at the effective date of modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leases asset, restore the site on which it is located or restore the underlying assets to the conditon required by the terms and conditions of the lease, a provision is recognised and measured under IAS37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right -of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying assets. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use assets is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property Plant and Equipment'

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other'. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components; and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

#### *The Company as lessor*

The Company was not part of any lease agreement as a lessor in 2021.

#### **g) 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 Raw and packaging materials and purchased finished goods - purchase cost on a first-in, first-out basis including transportation and clearing costs.

Products-in-process and manufactured finished goods - weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Engineering spares - purchase cost on a weighted average cost basis, including transportation and clearing costs.

Goods-in-transit - purchase cost incurred to date.

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

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

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

#### **h) Impairment of 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").

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.

## **i) Employee benefits**

### **I. Defined contribution plans**

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

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

#### **1 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 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.

#### **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 or loss account is based on independent actuarial valuation performed using the projected unit credit method. PricewaterhouseCoopers Limited (**FRC/2013/IODN/00000002010**) was engaged as the independent actuary in the current year. Actuarial remeasurements are recognised in the profit or loss in the year in which they arise.

### **III. Termination benefits**

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

### **IV. Short-term employee benefits**

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

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

### **V. Share-based payment transactions**

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

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase

in equity as a capital contribution from Nestlé S.A., over the period that the employees unconditionally become entitled to the awards.

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

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

### **j) Provisions**

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

#### **k) 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.

#### **l) 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.

#### **m) Revenue**

##### **Revenue from contracts with customers**

##### ***Sale of goods***

The Company is into manufacturing, marketing and distribution of food products including purified water. Sales are recognized when control of the products is transferred, being when the products are shipped to the customer. Sales occur when the products have been shipped and either the Distributor has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

##### **(i) Variable consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and trade incentives. The rights of return and trade incentives give rise to variable consideration.

##### ***- Rights of return***

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

##### ***-Trade Incentives***

The Company provides incentives to all customers on the achievement of the performance criteria on the signed incentive guide. Incentives are credited to the customer's account, available for purchase of products. To estimate the variable consideration for the expected future incentives, the Company applies the maximum achievement criteria of set targets. The Sales thresholds contained in the signed incentive guide primarily drive the selected method that best predicts the amount of variable consideration. The Company then applies the requirements on constraining estimates of variable consideration and recognizes a liability for the expected future incentives.

##### **(ii) Significant financing component**

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

##### **Contract balances**

##### ***Trade receivables***

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

## **Assets and liabilities arising from rights of return**

### **Right of return assets**

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

### **Refund liabilities**

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer.

The Company updates its estimates of refund liabilities and the corresponding change in the transaction price at the end of each reporting period. Refer to above accounting policy on variable consideration.

### **Cost to obtain a contract**

The Company pays sales commission to its employees for certain contracts that they obtain for sales of products. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under personnel expenses) because the amortisation period of the asset that the Company otherwise would have used is one year or less.

## **n) Advance payment to contractors**

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

## **o) Finance income and finance costs**

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

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

## **p) Taxes**

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been statutorily enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## **q) 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.

## **r) 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.

## **s) Dividends**

Dividends are recognised as a 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.

## **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 Other New and amended Standards effective in the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

##### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7,

##### IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

##### Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

#### 4.1 New and revised IFRS Standards in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however the company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the company's financial statements.

##### Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous

version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018)

##### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for first-time adopters.

#### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

#### **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

#### **Classification of Liabilities as Current or Noncurrent- Amendments to IAS 1**

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

##### **Right to defer settlement**

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

##### **Existence at the end of the reporting period**

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

##### **Management expectations**

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

##### **Meaning of the term 'settlement'**

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity. Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception. In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or noncurrent. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively. Proposed amendments

In November 2021, the Board published an exposure draft in which it proposed that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances, including presenting noncurrent liabilities that are subject to covenants to be complied with within twelve months after the reporting period, separately in the statement of financial position. Furthermore, the Board proposed to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023). Comments are due to be received by the Board by 21 March 2022.

#### **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Replacement of the term 'significant' with 'material' In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

#### **Disclosure of standardised information**

Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed. The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

#### **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

#### **Changes in accounting estimates**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Determining the tax base of assets and liabilities The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

#### **Changes to the initial recognition exception**

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise

to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability

(or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.



## Notes to the financial statements

### 5 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The management of the Company revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the financial statements is judgmental. The items, subject to judgment, are detailed in the corresponding notes to the financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed below:

#### 5.1 Critical accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### 5.1.1 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

###### • *Determining method to estimate variable consideration and assessing the constraint*

Certain contracts for the sale of products include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

###### • *Determining the timing of satisfaction of sales of goods*

The Company concluded that revenue for sales of goods is to be recognised as a point in time; when the customer obtains control of the goods. The Company assess when control is transfer using the indicators below:

- The Company has a present right to payment for the goods;
- The Company has transferred physical possession of the asset ;
- The customer has the significant risks and rewards of ownership of the goods; and
- The customer has accepted the asset

#### 5.2 Key sources of estimation uncertainty

##### 5.2.1 Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Company uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 25.

##### 5.2.2 Estimated useful lives and residual values of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2020 and that has not highlighted any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. For more details refer to note 3c.

##### 5.2.3 Impairment testing

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available unobservable inputs that are developed based upon the best information available under the circumstances, which might include the Company's own data less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next fifteen years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### 5.2.4 Provision for expected credit losses (ECL) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 31(a)(i).

#### 5.2.5 Estimating variable consideration for returns

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and trade incentives.

The Company developed a statistical model for forecasting sales returns. The model used the historical return data of each year to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company's expected trade incentives are analysed on a per customer basis. Determining whether a customer will be likely entitled to trade incentive will depend on the customer's historical incentive entitlement and accumulated performance to date.

The Company applied a statistical model for estimating expected trade incentives. The model uses the historical purchasing patterns and incentive entitlement of customers to determine the expected incentive percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and incentive entitlements of customers will impact the expected incentive percentages estimated by the Company.

#### 5.2.6 Lease Liability

The lease liability value appears under the heading obligations under leases (allocated between medium/long term or short term depending on the maturities). At commencement of the lease, this value is the present value of the total of the lease payments as described in the contract (including payments connected to the reasonably certain exercise of extension or termination options), discounted at the interest rate implicit in the lease contract (if readily determinable) or the lessee's incremental borrowing rate. Lease payments that depend upon a rate or index are measured at commencement based on the rate or index in effect at that time, and are remeasured if or when the payments linked to the index or rates change. Variable lease payments that do not depend upon an index or rate (e.g. a percentage of sales or based on usage) are not included in the initial measurement of the right of use asset.

The lease liability determined at initial measurement should not exceed the fair value of the underlying asset. An excess of the lease liability value over the fair value of the underlying asset is an indicator that the discount rate being used is too low and must be reassessed.

The difference between the future value (undiscounted) of the total of lease payments and the lease liability represents the financial cost which is to be spread over the period of the lease in form of an annuity calculation.

When recording the annuities paid, the "principal" part reduces the obligation under lease while the "interest" part is charged to the income statement under interest expense.

### 6 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, SMA, Nan, Lactogen and Golden Morn.
Beverages	This includes the production and sale of Milo, Milo energy cube, 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 in Note 7. 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

### 7 Information about reportable segment

*In thousands of naira*

	Food		Beverage		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
External Revenues	208,287,437	171,731,112	143,534,892	115,352,975			351,822,329	287,084,087
Interest income					1,987,042	646,546	1,987,042	646,546
Interest expense					(12,077,645)	(4,426,686)	(12,077,645)	(4,426,686)
Depreciation and Amortization	(5,106,597)	(4,762,705)	(3,302,798)	(2,988,630)			(8,409,395)	(7,751,335)
Reportable segment profit before income tax	43,701,253	39,581,141	28,264,693	24,837,442	(10,090,603)	(3,780,140)	61,875,342	60,638,443

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. This is also applicable to cash flows.

#### Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

*In thousands of naira*

##### Revenues

There are no significant reconciling items between the reportable segment revenue and revenue for the year.

##### Profit or loss

*In thousands of naira*

	2021	2020
Total profit or loss for reportable segments	71,965,945	64,418,583
Other corporate expenses and income	(10,090,603)	(3,780,140)
Profit before income tax	61,875,342	60,638,443

##### Other material items 2021

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

## 8 Geographical information

*In thousands of naira*

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Nigeria	346,536,281	106,314,178	282,676,793	94,683,541
Ivory Coast	1,331,357	-	-	-
Ghana	2,750,360	-	1,899,578	-
Burkina Faso	1,071,979	-	2,056,877	-
Other countries	132,351	-	450,839	-
	<b>351,822,329</b>	<b>106,314,178</b>	<b>287,084,087</b>	<b>94,683,541</b>

Total revenue from contracts with customers

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

### Major customer

Revenue from one customer does not represent up to 10% of the company's total revenue. Therefore, information on major customers is not presented.

## 9 Revenue

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

*In thousands of naira*

	2021	2020
Nigeria	346,536,281	282,676,793
Export	5,286,048	4,407,294
Total Revenue	<b>351,822,329</b>	<b>287,084,087</b>

### 9.1 Disaggregated revenue information

	For the year ended 31 December 2021		
	Food	Beverage	Total
Goods transferred at a point in time	208,287,437	143,534,892	351,822,329
Total revenue	<b>208,287,437</b>	<b>143,534,892</b>	<b>351,822,329</b>

	For the year ended 31 December 2020		
	Food	Beverage	Total
Goods transferred at a point in time	171,731,112	115,352,975	287,084,087
Total revenue	<b>171,731,112</b>	<b>115,352,975</b>	<b>287,084,087</b>

### Disaggregation of revenue—quantitative disclosure

The Company has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity.

The Company determines that the categories used in the investor presentations can be used to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

## 9.2 Contract balances

<i>In thousands of Naira</i>	2021	2020
Trade receivables (Note 21(a))	2,208,564	8,102,921
Contract liabilities (Note 29)	15,452,354	8,647,246

Trade receivables are non-interest bearing and are generally on terms of 14 to 45 days. In 2021, N79,792 (2020: N1,322,822) was recognised as expected credit loss charge on trade receivables.

Contract liabilities include incentives yet to be paid to customers and advances received from cash customers

## 9.3 Performance obligations

Information about the Company's performance obligations are summarised below:

### **Sale of goods**

The performance obligation is satisfied upon delivery of the product and payment is generally due within the customers credit days. Some contracts provide customers with a right of return and incentives which give rise to variable consideration subject to constraint.

## 10 Net finance cost

<i>In thousands of naira</i>	2021	2020
Interest income	1,987,042	646,546
Finance income	1,987,042	646,546
Interest expense on financial liabilities	(7,342,611)	(2,698,404)
Net foreign exchange loss	(4,735,034)	(1,728,282)
Finance expense	(12,077,645)	(4,426,686)
Net finance cost	(10,090,603)	(3,780,140)

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N5.5 billion (2020: N2.2 billion) excluding the impact of foreign exchange differences (realized/unrealized). Interest income is from investment in short term government securities and commercial papers.

## 11 Profit before income tax

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

<i>In thousands of naira</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Depreciation and Amortization	15(a)and(b)	8,409,395	7,751,335
Auditor's remuneration		34,000	35,000
Directors' remuneration	12 (c)	395,328	355,901
Personnel expenses	12 (a)	30,030,634	26,575,687
(Gain)/Loss on property, plant and equipment disposed		245,042	73,207
Net foreign exchange loss (Realized)	10	4,735,034	1,728,282
General licence fees	33(b)	13,356,584	11,165,330

Apart from the statutory and group audit, the firm of EY also offered consultancy services to Nestle Nigeria Plc in processing it CERPAC permits and approval relating to expat quota.

(b) Expenses by nature

<i>In thousands of naira</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Depreciation of property, plant and equipment and right of use asset	15(a)and(b)	8,409,395	7,751,335
Auditor's remuneration		34,000	35,000
Profit on property, plant and equipment disposed		245,042	73,207
Personnel expenses	12(a)	30,030,634	26,575,687
General licence fees	33(b)	13,356,584	11,165,330
Raw materials and consumables		163,737,856	124,779,955
Expected credit Loss on Receivables		79,792	1,322,822
Distribution expense		14,875,440	12,156,881
Advertising		5,108,798	3,245,475
Sales Promotion		10,999,446	10,123,124
Factory overheads		18,636,133	17,593,683
Other expenses		14,343,263	7,843,005
		<b>279,856,383</b>	<b>222,665,504</b>

Other expenses include product research and marketing expenses, product related overheads, donations and trade asset related expenses

Summarised as follows:

Cost of Sales	219,985,914	167,872,616
Marketing and distribution expenses	48,097,581	43,843,396
Administrative expenses	11,772,888	10,949,492
	<b>279,856,383</b>	<b>222,665,504</b>

## 12 Personnel expenses

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

*In thousands of naira*

	2021	2020
Salaries, wages and allowances	15,446,845	12,721,119
Directors' remuneration	395,328	355,901
Contributions to compulsory pension fund scheme	1,632,081	1,502,304
Contributions to defined contribution gratuity scheme	1,482,672	1,315,368
Employee short term bonus	1,695,161	1,892,727
Training, recruitment and canteen expenses	2,139,987	1,788,658
Medical expenses	739,658	878,041
Equity-settled share-based payment transactions	153,761	259,813
Other personnel expenses	6,345,143	5,861,756
11	<b>30,030,634</b>	<b>26,575,687</b>

Other personnel expenses include employee insurance, employee housing subsidies and transport subsidies

(b) Employees of the Company, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension costs and certain benefits) in the following ranges:

			2021	2020
N		N	Number	Number
1,400,001	-	1,600,000	-	-
1,600,001	-	1,800,000	-	-
1,800,001	-	2,000,000	-	-
2,000,001	-	2,500,000	-	17
2,500,001	-	3,000,000	46	29
3,000,001	-	3,500,000	9	106
3,500,001	-	4,000,000	174	240
4,000,001	-	4,500,000	221	96
4,500,001	-	5,000,000	102	192
5,000,001	-	7,000,000	793	916
7,000,001	and	above	923	643
			<b>2,268</b>	<b>2,239</b>

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

	2021	2020
	Number	Number
Production	1,734	1,711
Supply chain	68	63
Sales and marketing	359	331
Administration	107	134
	<b>2,268</b>	<b>2,239</b>

(c) Directors remuneration

Remuneration paid to directors of the Company was as follows:

*In thousands of naira*

**Directors' Emoluments:**

Non Executive directors

Executive directors

	2021	2020
	35,783	33,100
	359,545	322,801
	<b>395,328</b>	<b>355,901</b>

The directors' remuneration shown above includes:

*In thousands of naira*

Chairman

Highest paid director

	2021	2020
	13,500	13,500
	206,385	161,350

Other directors received emoluments in the following ranges:

N	N
-	1,000,000
1,000,001	25,000,000
25,000,001	35,000,000
Above 35,000,000	

	2021	2020
Number	Number	
2	2	
4	3	
-	-	
3	2	
9	7	

**13 Taxation**

**(a) Income tax expense**

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

*In thousands of naira*

**Current tax expense**

Current year income tax

Current year tertiary education tax

Nigerian Police Trust Fund

Under/(over) provision of prior year tax

	2021	2020
	16,783,644	17,466,292
	2,017,200	1,582,807
	2,021,899	3,187,135
	411,960	(337,224)
	<b>21,234,703</b>	<b>21,899,010</b>

**Deferred tax expense**

Origination and reversal of temporary differences

**Total income tax expense**

	603,362	(472,592)
	<b>21,838,065</b>	<b>21,426,418</b>



**(b) Current tax liabilities**

*In thousands of naira*

Movement in current tax liabilities account during the year was as follows

	2021	2020
At 1 January	30,476,315	31,801,369
Charge for the year	21,234,703	21,899,010
Payments in the year	(23,429,388)	(23,224,064)
At 31 December	<b>28,281,629</b>	<b>30,476,315</b>

**(c) Reconciliation of effective tax rate**

*In thousands of naira*

	2021	2021	2020	2020
Profit for the year		40,037,277		39,212,025
Total income tax expense		21,838,065		21,426,418
Profit excluding income tax		61,875,342		60,638,443
Income tax using the Company's domestic tax rate	30.00%	18,562,603	30.00%	18,191,533
Non-deductible expenses*	4.91%	3,036,694	3.67%	2,227,954
Tax exempt income	(0.94%)	(584,644)	(0.09%)	(54,438)
Tax incentives	(0.85%)	(528,947)	(0.24%)	(146,121)
Recognition of previously unrecognised tax items	(0.34%)	(211,956)	0.21%	129,354
Education tax	3.26%	2,017,200	2.61%	1,582,807
Prior year under/(over) provision of CIT	0.67%	411,960	(0.56%)	(337,224)
Other tax differences	(1.40%)	(864,845)	(0.28%)	(167,447)
	35.3%	21,838,065	35.3%	21,426,418

**14 Earnings and declared dividend per share**

- a) Basic earnings and declared dividend per share are based on profit attributable to the owners of the Company for the year of N40,037,277 (2020: N39,212,025) and declared dividend of N47,956million (2020: N55,486 million) respectively and on 792,656,252 (2020: 792,656,252) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue and ranking for dividend during the year

	<i>Note</i>	2021 N'000	2020 N'000
Earnings from continuing operations for the purpose of basic earnings per share		40,037,277	39,212,025
Earnings from continuing operations for the purpose of diluted earnings per share		40,037,277	39,212,025
Weighted average number of ordinary shares as at 31 December	0	Number ('000) 792,656	Number ('000) 792,656
Basic (Naira)		50.51	49.47
Diluted (Naira)		50.51	49.47

- (b) Diluted earnings per share of N50.51 (2020: N49.47 is based on the profit attributable to ordinary shareholders of N40,037,277 (2020: N39,212,025), and on the 792,656,252 (2020: 792,656,252) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue and ranking for dividend during the current and preceding years after adjustment for the effects of all dilutive 2021 Nil (2020: Nil) potential ordinary shares.

**15 Property, plant and equipment (PPE)**

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

*In thousands of naira*

Note	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	IT Equipment	Capital Work in Progress	Total
<b>Cost</b>							
Balance at 1 January 2020	33,284,621	72,259,100	4,201,067	12,529,141	1,785,904	12,102,035	136,161,868
Additions	241,366	741,176	895,194	372,504	156,804	12,990,061	15,397,105
Disposals	(42,198)	(671,766)	(575,847)	(1,380,785)	(124,691)	-	(2,795,287)
Reclassification	539,231	3,879,923	15,194	902,804	92,807	(5,429,959)	-
Balance at 31 December 2020	34,023,020	76,208,433	4,535,608	12,423,664	1,910,824	19,662,137	148,763,686
Balance at 1 January 2021	34,023,020	76,208,433	4,535,608	12,423,664	1,910,824	19,662,137	148,763,686
Additions	587,667	2,294,300	939,824	351,658	132,372	16,586,886	20,892,707
Disposals	-	(1,662,087)	(18,317)	(303,813)	-	-	(1,984,217)
Reclassification	1,736,398	9,224,316	-	665,523	139,600	(11,765,837)	-
Balance at 31 December 2021	36,347,085	86,064,962	5,457,115	13,137,032	2,182,796	24,483,186	167,672,176
<b>Accumulated depreciation and impairment losses</b>							
Balance at 1 January 2020	9,183,110	35,511,983	2,121,903	8,656,846	1,294,348	-	56,768,190
Depreciation	864,638	4,200,351	733,486	1,216,963	299,378	-	7,314,816
Impairment	-	-	-	-	-	-	-
Disposals	(33,833)	(486,466)	(573,887)	(1,366,433)	(124,537)	-	(2,585,156)
Balance at 31 December 2020	10,013,915	39,225,868	2,281,502	8,507,376	1,469,189	-	61,497,850
Balance at 1 January 2021	10,013,915	39,225,868	2,281,502	8,507,376	1,469,189	-	61,497,849
Depreciation	901,703	4,787,808	759,604	1,211,102	304,914	-	7,965,131
Impairment	-	-	-	-	-	-	-
Disposals	-	(441,762)	(18,317)	(294,883)	-	-	(754,962)
Balance at 31 December 2021	10,915,618	43,571,914	3,022,789	9,423,595	1,774,103	-	68,708,019
<b>Carrying amounts</b>							
At 1 January 2020	24,101,511	36,747,117	2,079,164	3,872,295	491,556	12,102,035	79,393,678
At 31 December 2020	24,009,105	36,982,565	2,254,106	3,916,288	441,635	19,662,137	87,265,836
At 31 December 2021	25,431,467	42,493,048	2,434,326	3,713,437	408,693	24,483,186	98,964,157

As at 31 December 2021, none of these assets have been used as loan collateral or are encumbered. However, the bank loan are secured by non-specific pledge on the asset in line with their relative exposures.

(b) **Right of Use Assets**

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

*In thousands of naira*

	Note	Land N'000	Building N'000	Total N'000
<b>Cost</b>				
		-	-	-
<b>As at 1 January 2020</b>		4,102,547	570,230	4,672,777
Additions		-	1,104,988	1,104,988
Disposals		-	(331,743)	(331,743)
<b>Balance as at 31st December 2020</b>		<b>4,102,547</b>	<b>1,343,475</b>	<b>5,446,022</b>
<b>As at 1st January 2021</b>		4,102,547	1,343,475	5,446,022
Additions		-	308,764	308,764
Modification		-	(70,297)	(70,297)
Disposals		-	(127,625)	(127,625)
<b>Balance as at 31st December 2021</b>		<b>4,102,547</b>	<b>1,454,317</b>	<b>5,556,864</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>As at 1 January 2020</b>		104,701	182,017	286,718
Depreciation		70,138	366,381	436,519
Disposals		-	(331,743)	(331,743)
<b>Balance as at 31st December 2020</b>		<b>174,839</b>	<b>216,655</b>	<b>391,494</b>
<b>As at 1 January 2021</b>		174,839	216,655	391,494
Depreciation		70,138	374,126	444,264
Disposals		-	(127,625)	(127,625)
<b>Balance as at 31st December 2021</b>		<b>244,977</b>	<b>463,156</b>	<b>708,133</b>
<b>Carrying amounts</b>				
<b>As at 31 December 2021</b>		<b>3,857,571</b>	<b>991,161</b>	<b>4,848,732</b>
<b>As at 31 December 2020</b>		<b>3,927,708</b>	<b>1,126,820</b>	<b>5,054,528</b>

Out of the total addition in the ROU asset, Only N124m results to a corresponding lease liability

(c) **Capital commitments**

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

*In thousands of naira*

Approved and contracted

Approved but not contracted

	<b>2021</b>	<b>2020</b>
Approved and contracted	20,894,801	13,812,307
Approved but not contracted	158,694	3,395,633
	<b>21,053,495</b>	<b>17,207,940</b>

**16 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:

	<b>2021</b>	<b>2020</b>
Long term Staff receivable	2,296,038	2,187,272
Amount receivable from Customers on account of trade assets deployed	205,251	175,905
	<b>2,501,289</b>	<b>2,363,177</b>

**17 Prepayments**

Prepayment comprises:

*In thousands of naira*

Rent prepaid

Insurance prepaid

Other prepayment

	<b>2021</b>	<b>2020</b>
Rent prepaid	30,215	129,140
Insurance prepaid	775,172	721,916
Other prepayment	288,454	117,370
	<b>1,093,841</b>	<b>968,426</b>

Prepayments are analysed into short and long term assets based on the period covered by the prepayment:

	<b>2021</b>	<b>2020</b>
Current Asset	1,093,841	968,426
Non-current Asset	-	-
	<b>1,093,841</b>	<b>968,426</b>

Other prepayment represents payments made for goods and services which will be consumed within the next financial year.

## 18 Deferred tax liabilities

### Recognised deferred tax (assets)/liabilities

Deferred tax liabilities are attributable to the following:

In thousands of naira

	Assets		Liabilities		Net	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Property, plant and equipment	-	-	16,925,407	15,221,063	16,925,407	15,221,063
Employee benefits	(1,292,352)	(1,430,727)	-	-	(1,292,352)	(1,430,727)
Unrealised exchange loss	(3,009,032)	(1,769,562)	-	-	(3,009,032)	(1,769,562)
Share based payment	(36,307)	(36,420)	-	-	(36,307)	(36,420)
Total trade spend allowance diff.	-	-	-	-	-	-
Tax (asset)/liabilities	(4,337,691)	(3,236,709)	16,925,407	15,221,063	12,587,716	11,984,354
<b>Net tax liabilities</b>	<b>(4,337,691)</b>	<b>(3,236,709)</b>	<b>16,925,407</b>	<b>15,221,063</b>	<b>12,587,716</b>	<b>11,984,354</b>

### Movement in temporary differences during the year

In thousands of naira

	Balance 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2020	Effect of adoption of new accounting standards	Balance 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2021
Property, plant and equipment	14,362,210	858,852	-	15,221,063		15,221,063	1,704,344	-	16,925,408
Employee benefits	(1,378,537)	(52,190)	-	(1,430,727)		(1,430,727)	138,375	-	(1,292,352)
Unrealised exchange difference	(223,437)	(1,546,125)	-	(1,769,562)		(1,769,562)	(1,239,470)	-	(3,009,032)
Share based payment	(39,384)	2,965	-	(36,416)		(36,416)	113	-	(36,307)
Total trade spend allowance diff.	(263,906)	263,906	-	(0)		(0)	-	-	-
	<b>12,456,945</b>	<b>(472,592)</b>	-	<b>11,984,354</b>	-	<b>11,984,354</b>	<b>603,362</b>	-	<b>12,587,716</b>

At 31 December 2021 (2020: Nil), there was no unrecognised deferred tax asset or liability.

## 19 Inventories

*In thousands of naira*

		2021	2020
Raw and packaging materials	Written down to Net Realizable Value	29,583,883	20,620,626
Product in process		3,169,404	1,391,048
Finished products	Written down to Net Realizable Value	11,098,416	12,271,131
Engineering spares	Written down to Net Realizable Value	6,195,331	5,271,462
Goods in transit		8,917,091	12,668,000
		<b>58,964,125</b>	<b>52,222,267</b>

The value of raw and packaging materials, changes in finished products and product in process consumed during the year and recognised in cost of sales amounted to N163.738billion (2020: N124.780 billion). In 2021, the write-down of inventories to net realisable value amounted to N2.993 billion (2020: N2.714 billion) and the movement is included in cost of sales.

## 20 Right of return assets and refund liabilities

*In thousands of naira*

	31 December 2021	31 December 2020
Right to returned goods asset	45,443	52,263
<i>Refund liabilities</i>		
Arising from rights of return	78,963	90,805

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 year using the expected value method.

## 21 Trade and other receivables

*In thousands of naira*

	<i>Note</i>	2021	2020
Trade receivables	21(a)	7,373,388	13,604,796
Loans to key management personnel		30,516	17,317
Staff loans		2,839,531	2,716,772
Trade receivables due from related parties	33(e)(ii)	1,952,209	2,749,239
Deposit with Company registrars for dividend	23(b)ii	2,801,222	2,724,553
Allowance for expected credit losses	31(ii)	(5,164,823)	(5,501,875)
		9,832,043	16,310,802
Advance payment to suppliers		19,923,253	4,395,672
Deposit for Import		14,340,634	19,229,976
Other receivables		1,708,116	1,982,017
		<b>45,804,046</b>	<b>41,918,467</b>
Non-current - reclassified to long term receivables	16	2,501,289	2,363,177
Current		43,302,758	39,555,290
		<b>45,804,046</b>	<b>41,918,467</b>

Included in other receivables are input taxes and infrastructural support to customers. Advance to suppliers is in respect of raw and packaging materials while deposit for import is for items of plant and machineries, raw and packaging materials which are expected to be delivered before the end of second quarter 2022.

**21(a) Trade receivables**

*In thousands of naira*

		<b>2021</b>	<b>2020</b>
Receivables from third-party customers		7,373,387	13,604,796
Allowance for expected credit losses	31(ii)	(5,164,822)	(5,501,875)
		<u>2,208,564</u>	<u>8,102,921</u>

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in Note 31.

For terms and conditions relating to related party receivables, refer to Note 33.

**22 Cash and cash equivalents**

*In thousands of naira*

		<b>2021</b>	<b>2020</b>
Cash and bank balances		21,037,012	16,794,758
Short term investment		79,481,147	41,908,451
Cash and cash equivalents in the statement of financial position		100,518,159	58,703,209
Bank overdrafts used for cash management purposes		(2,352)	(2,551)
Cash and cash equivalents in the statement of cash flows		<u>100,515,807</u>	<u>58,700,658</u>

The Company's exposure to credit risk for cash and cash equivalents and impairment losses related to short-term investment are disclosed in Note 31(a)(ii).

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## 23 Capital, reserves and dividends

### (a)(i) Issued and fully paid ordinary shares of 50k each

*In number of shares*

At 31 December

	2021	2020
	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.

### (ii) Share premium

*In thousands of Naira*

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

Share premium

	2021	2020
	32,262	32,262

### (iii) Share based payment reserves

The Company's ultimate holding company, Nestlé Switzerland (Nestlé S.A.) operates an Equity Incentive Scheme for its management employees around the world known as the Performance Share Unit Plan (PSUP). Under the PSUP, Nestlé S.A. awards Performance Stock Units (PSU) to employees that entitle participants to receive freely disposable Nestlé S.A. shares or an equivalent amount in cash at the end of a three-year restriction period.

#### **Terms and conditions of the Restricted Share Unit Plan**

The terms and conditions relating to the grants of the PSUP are as follows;

Grant date/employees entitled	Number of instruments	Vesting Conditions
Shares awarded to key management on 1 March 2019	3,771	3 years' service
Shares awarded to key management on 1 March 2020	3,373	3 years' service
Shares awarded to key management on 1 March 2021	3,194	3 years' service

The fair value of the PSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, adjusted for the present value of dividends that participants are not entitled to receive during the restricted period of 3 years. The weighted average fair value at the date of exercise of the restricted stock units granted in 2021 is N441,130,730 (2020: N120,513,563)

Total share based payment expense recognised in the profit or loss for the year amounted to N153,760,787 (2020: N259,813,327 ).

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 year.

The movement in share based payment is as follows:

*In thousands of naira*

	2021	2020
At 1 January	113,811	123,076
Share based payment contribution	153,761	259,813
Share based payment recharge	(154,113)	(269,078)
At 31 December	<b>113,459</b>	<b>113,811</b>



**(b) Dividends**

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

	<b>2021</b>		<b>2020</b>	
	<b>Per Share (N)</b>	<b>N'000</b>	<b>Per Share (N)</b>	<b>N'000</b>
Final dividend	35.50	28,139,297	45.00	35,669,531
Interim dividend	25.00	19,816,406	25.00	19,816,406
	<b>60.50</b>	<b>47,955,703</b>	<b>70.00</b>	<b>55,485,937</b>

Total dividends represents the interim dividend declared during the year plus the final dividend proposed for the preceding year, but declared in the current year.

	<b>2021</b>	<b>2020</b>
Naira per qualifying ordinary share	<b>N35.50</b>	<b>N45.00</b>

**(ii) Movement in dividend payable**

*In thousands of naira*

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
At 1 January		8,291,894	6,885,325
Declared dividend		47,955,703	55,485,937
Unclaimed dividend transferred to retained earnings		-	(22,531)
Dividend declared but not paid		(16,116,526)	(35,311,743)
Payments		(30,729,397)	(18,745,094)
At 31 December	<b>28</b>	<b>9,401,674</b>	<b>8,291,894</b>

As at 31 December 2021, N2.801billion (2020: N2.724 billion) of the total dividend payable is held with the Company's registrar, Greenwich Registrars and Data Solutions Limited Registrars Nigeria Limited. The balance of N6.600 billion represents unclaimed dividend (2020: N5.567 billion) which was returned to the Company by the Registrar and has been invested in treasury bills.

**24 Loans and borrowings**

(a) This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For information about the Company's exposure to interest rate, foreign currency and liquidity risks, see note 31.

Loans and borrowing as at 31 December is as follows:

*In thousands of naira*

	<b>2021</b>	<b>2020</b>
Unsecured bank loans	431,943	6,377,484
Loans from related party	76,432,859	33,834,202
	<b>76,864,802</b>	<b>40,211,686</b>

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

	<b>2021</b>	<b>2020</b>
Current liabilities	431,943	6,377,484
Non-current liabilities	76,432,859	33,834,202
	<b>76,864,802</b>	<b>40,211,686</b>

**Terms and debt repayment schedule**

(b) Terms and conditions of outstanding loans were as follows:

In thousands of naira	Notes	Currency	2021				2020			
			Nominal interest rate	Year of maturity	Face Value	Carrying amount	Nominal interest rate	Year of maturity	Face Value	Carrying amount
Loan from related party	(i)	USD	LIBOR + 11.34%	2027	48,029,719	48,029,719	LIBOR + 11.34%	2027	31,057,596	31,057,596
Loan from related party	(ii)	USD	LIBOR + 7.47%	2027	28,403,140	28,403,140	LIBOR + 7.47%	2027	2,776,606	2,776,606
Import trade obligations	(iii)	NGN	LIBOR + 6%	2021	431,943	431,943	LIBOR + 6%	2021	6,377,484	6,377,484
<b>Total Interest bearing liabilities</b>					<b>76,864,802</b>	<b>76,864,802</b>			<b>40,211,686</b>	<b>40,211,686</b>

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

- (i) A loan of US\$ 100 million was approved for the Company by Nestle S.A. in April 2020 of which US\$100 million was drawn down as at 31 December, 2021. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from April 2020. The facility which is unsecured attracts interest at 3 months USD Libor plus a margin of 1134 basis points. There is no fixed payment period agreed in the loan contract. Payment is to be made subject to availability of FX.
- (ii) An additional US\$ 100 million was approved for the Company by Nestle S.A. in September 2020 of which US\$ 60.5 million was drawn down as at 31 December, 2021. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from September 2020. The facility which is unsecured attracts interest at 3 months USD Libor plus a margin of 747 basis points. There is no fixed payment period agreed in the loan contract. Payment is to be made subject to availability of FX.
- (iii) Import trade obligations for Letters of Credit raised under the Import Finance Facilities from our banks in 2021 stood at NGN 0.4 billion as at 31 December 2021. The obligations have a tenor between 90 days and 120 days at Libor+ 6.00% interest rate.

(c) Reconciliation between opening and closing balances of the loan and borrowings is shown below

	2021	2020
<b>At 1 January</b>	40,211,686	10,475,288
Addition -- Intercompany loan	33,350,625	29,902,073
Addition-- Bank loan	24,949,128	6,377,484
Repayment -- Intercompany loan	-	(5,578,994)
Repayment -- Bank loan	(29,765,464)	(4,896,294)
Accrued Interest	5,396,032	1,219,327
Exchange (gain) loss	2,722,796	2,712,802
<b>At 31 December</b>	<b>76,864,802</b>	<b>40,211,686</b>
Analysed as follows		
Current	431,943	6,377,484
Non-Current	76,432,859	33,834,202
	<b>76,864,802</b>	<b>40,211,686</b>

## 25 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 year was as follows:

#### *In thousands of Naira*

	2021	2020
Balance at 1 January	4,471,021	4,307,927
(Credit)/Expense for the year	(100,277)	590,940
Payments during the year	(332,144)	(427,846)
Balance at 31 December	<b>4,038,600</b>	<b>4,471,021</b>

#### Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) fall under three broad categories. These assumptions depict management's estimate of the likely future experience of the Company.

#### Financial Assumptions

	2021	2020
Long term average Discount rate (p.a.)	13%	7%
Average Pay Increase (p.a.)	13%	12%
Benefit awards inflation (p.a.)	16%	7%

#### Demographic assumptions

Assumptions regarding future mortality are based on published statistics and mortality tables.

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK. This is due to unavailability of published reliable demographic data in Nigeria.

#### Sample age

#### Number of deaths in year out of 10,000 lives

	2021	2020
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from Service

Withdrawal from service means retirement; voluntary or compulsory disengagement from service.

#### Age Band

#### Rate

	2021	2020
c Less than or equal to 30	3.5%	3.7%
31-34	2.6%	2.7%
35 – 39	3.5%	4.0%
40 – 54	4.3%	4.9%
55 – 59	11.2%	10.9%

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefit obligation by the amount shown below.

#### 31 December 2021

*Effect in thousands of Naira*

	<b>Employee benefit obligation</b>	
	Increase	Decrease
Benefit awards inflation (1% movement)	68,974	(62,241)
Discount Rate (1% movement)	(182,841)	303,937
Future salary growth (1% movement)	196,757	(180,788)
Mortality Experience (1 year movement)	(12,452)	11,196

The table below indicates the maturity profile for defined benefit obligations:

*In thousands of Naira*

	<b>2021</b>
Within the next 12 months (next annual reporting period)	449,130
Between 2 and 5 years	1,935,807
Beyond 5 years	3,262,789
Total expected payments	<b>5,647,726</b>

#### 26 Pension payable

The balance on the pension payable account represents the amount due to the Pension Fund Administrators which is yet to be remitted at the year end. The movement on this account during the year was as follows:

*In thousands of Naira*

	<b>2021</b>	<b>2020</b>
Balance at 1 January	-	31,840
Charged for the year	3,191,516	2,704,570
Payments during the year	(3,191,516)	(2,736,410)
Balance at 31 December	-	-

#### 27 Provisions

*In thousands of naira*

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

	<b>2021</b>	<b>2020</b>
Balance at 1 January	3,691,991	1,557,560
(Reversals)/additions made during the year	(929,787)	2,193,932
Provisions used during the year	(60,706)	(59,501)
Balance at 31 December	<b>2,701,498</b>	<b>3,691,991</b>
Current	<b>2,701,498</b>	<b>3,691,991</b>

## 28 Trade and other payables

*In thousands of naira*

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Trade payables		40,866,329	32,026,503
Other payables and accruals		21,369,862	14,921,545
Trade payables due to related parties	33(e)(i)	76,746,560	61,272,748
Dividend payable	23(b)(ii)	9,401,674	8,291,893
		<u>148,384,425</u>	<u>116,512,689</u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31. Included in other payables and accruals are advance to CAPEX suppliers, output taxes and other short term payables. Included in trade payables is an amount due to related parties is N27.950 billion dividend payable to Nestle S.A and SPN. This has been accounted for in inter group payables due to related party (Note 33ei) .

## 29 Contract Liabilities

Certain liabilities arose as a result of the Company's contract with the Customers in line with IFRS 15 as analysed below.

	<b>2021</b>	<b>2020</b>
<i>In thousands of naira</i>		
Customer's down payment	9,615,059	3,765,177
Trade incentives	5,837,295	4,882,069
	<u>15,452,354</u>	<u>8,647,246</u>

## 30 Lease Liabilities (Obligation under leases)

The company recognised lease liabilities in line with IFRS 16 as analysed below.

	<b>2021</b>	<b>2020</b>
As at 1 January	799,354	80,998
Additions	124,556	665,100
Modification	(70,297)	-
Gain on lease modification	(69,908)	-
Accretion of interest	57,602	53,256
Payments	(373,350)	-
As at 31 December	<u>467,956</u>	<u>799,354</u>

	<b>2021</b>	<b>2020</b>
<i>In thousands of naira</i>		
Current	184,821	231,270
Non-current	283,135	568,084
	<u>467,956</u>	<u>799,354</u>

The company has entered into leases on its property portfolio consisting of certain office and residential apartments. These leases have terms of between 2 and 5 years.

	<b>2021</b>	<b>2020</b>
<i>In thousands of naira</i>		
1-2 years	184,821	231,270
2-5years	283,135	568,084
	<u>467,956</u>	<u>799,354</u>

## 31 Financial instruments

### (a) Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (see (a)(iii))
- liquidity risk (see (a)(iii))
- market risk (see (a)(iv))
- operational risk (see (a)(v))

### (i) Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both senior Management and the Audit Committee.

## (II) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

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

In order to minimise credit risk, the Company has tasked its Credit Management Committee to develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Credit Management Committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Management has established a customer/distributor activation process under which each new customer is analysed individually for credit worthiness before the Company's distributorship agreement standard payment and delivery terms and conditions are offered to seal the distributorship arrangement. The Company's review includes external ratings, when available, and in some cases bank references.

Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Commercial Manager; these limits are reviewed bi-annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis. The Company's payment and delivery terms and conditions offered to customers provide various credit limits based on individual customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Trade and other receivables relate mainly to the Company's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Commercial manager, and future sales are made on a cash basis.

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

The Company has an order approval matrix which provides guidelines for the various approval authorisation limits for customers, based on the risk grading of the customer and the percentage by which the customer exceeds his credit limit. The approval responsibility is allocated to the Sales controller, Commercial manager, Finance and Control Director and Managing Director.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk from balances with banks and financial institutions is managed by Nestlé Treasury Center in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed periodically, and may be updated at any point in the year subject to approval of the Asset and Liability Management Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The carrying amount of financial assets represents the maximum credit exposure.

### i Exposure to credit risk

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

<i>In thousands of naira</i>	<i>Note</i>	<b>Carrying amount</b>	
		<b>2021</b>	<b>2020</b>
Trade and other receivables	21	9,832,043	16,310,802
Cash and cash equivalents	22	100,518,159	58,703,209
		<b>110,350,202</b>	<b>75,014,011</b>

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

<i>In thousands of naira</i>	<i>Note</i>	<b>Carrying amount</b>	
		<b>2021</b>	<b>2020</b>
Distributors	21	2,208,564	8,102,921
Related parties	21	1,952,209	2,749,239
Loans to key management personnel	21	30,516	17,317
Staff loans and advances	21	2,839,531	2,716,772
Registrar	21	2,801,222	2,724,553
		<b>9,832,043</b>	<b>16,310,802</b>

The Company's most significant customer accounts for N327.2million (2020: N591.5 million) of the trade and other receivables carrying amount at 31 December 2021.

ii Impairment losses

*Trade receivables*

For trade receivables, the Company applied the simplified approach in computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31(ii). The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2021 using a provision matrix:

**31 December 2021**

<i>In thousands of naira</i>	Trade receivables Days past due						Total
	Current	1-30 days	30 -60 days	61 - 90 days	91 - 120 days	>120 days	
Expected credit loss rate	0.4%	0.4%	30.0%	0.0%	0.0%	100.0%	
Estimated total gross carrying amount at default	2,123,318	50,690	2,052	-	-	5,197,328	7,373,387
Expected credit loss	33,323	(202)	(616)	-	-	(5,197,328)	(5,164,822)
	<b>2,156,641</b>	<b>50,487</b>	<b>1,436</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>2,208,564</b>

**31 December 2020**

<i>In thousands of naira</i>	Trade receivables Days past due						Total
	Current	1-30 days	30 -60 days	61 - 90 days	91-120 days	>120 days	
Expected credit loss rate	0.6%	0.5%	38.7%	90.3%	100.0%	100.0%	
Estimated total gross carrying amount at default	5,869,951	2,223,317	29,239	363,450	213,099	4,905,740	13,604,796
Expected credit loss	(32,872)	(10,502)	(11,321)	(328,341)	(213,099)	(4,905,740)	(5,501,875)
	<b>5,837,079</b>	<b>2,212,815</b>	<b>17,918</b>	<b>35,109</b>	<b>-</b>	<b>-</b>	<b>8,102,921</b>

Set out below is the movement in the allowance for expected credit losses of trade receivables:

<i>In thousands of Naira</i>	2021	2020
Balance as at 1 January	5,501,875	4,211,748
Provision for expected credit losses	79,792	1,322,822
Write-off	(416,845)	(32,695)
Changes in credit risk parameters	-	-
Balance at 31 December	<b>5,164,822</b>	<b>5,501,875</b>

The impairment loss as at 31 December 2021 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due are still collectible, based on historical payment behavior and extensive analysis of the underlying customers' credit ratings. The impairment loss is included in administrative expenses.

Write offs are made based on management's assessment that all realistic prospects of recovery have been explored. They may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

**(III) Liquidity risk**

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

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

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

**31 December 2021**

*In thousands of naira*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Unsecured bank loans	431,943	431,943	(431,943)			-	-
Unsecured intercompany loans	76,432,859	76,432,859	-	-	(1,219,327)		(75,213,532)
Trade and other payables	148,384,425	148,384,425	(148,384,425)	-	-	-	-
	<u>225,249,227</u>	<u>225,249,227</u>	<u>(148,816,368)</u>	<u>-</u>	<u>(1,219,327)</u>	<u>-</u>	<u>(75,213,532)</u>

**31 December 2020**

*In thousands of naira*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Unsecured bank loans	6,377,484	6,377,484	(6,377,484)	-		-	-
Unsecured intercompany loans	33,834,202	33,834,202	-	-	(1,219,327)		32,614,875
Trade and other payables	116,512,689	116,512,689	(116,512,689)	-	-	-	-
	<u>156,724,375</u>	<u>156,724,375</u>	<u>(122,890,173)</u>	<u>-</u>	<u>(1,219,327)</u>	<u>-</u>	<u>32,614,875</u>

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



#### Sensitivity analysis

A strengthening of the Naira, as indicated below, against the Euro and US Dollar at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed for USD and Euro being the most significant currency risk the Company is exposed to and on the same basis for 2020, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

*Effect in thousands of Naira*

	Equity	Profit or loss
<b>31 December. 2021</b>		
Euro (10 percent strengthening)	(1,387,243)	(1,387,243)
USD (10 percent strengthening)	(10,856,080)	(10,856,080)
<b>31 December. 2020</b>		
Euro (10 percent strengthening)	(1,923,112)	(1,923,112)
USD (10 percent strengthening)	(4,490,152)	(4,490,152)

#### ii Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling LIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates. The Board of Directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

<i>In thousands of Naira</i>	Carrying Amount	
	2021	2020
<b>Fixed rate instruments</b>		
Financial assets	79,481,147	41,908,451
Financial liabilities	79,481,147	41,908,451
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	76,864,802	40,211,686
	76,864,802	40,211,686

Fair value sensitivity analysis for fixed rate instruments.

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit or loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
<b>31 December 2021</b>				
Variable rate instruments	(768,648)	768,648	(768,648)	768,648
Cash flow sensitivity (net)	(768,648)	768,648	(768,648)	768,648
<b>31 December 2020</b>				
Variable rate instruments	(402,117)	(402,117)	(402,117)	(402,117)
Cash flow sensitivity (net)	(402,117)	(402,117)	(402,117)	(402,117)

#### (V) Operational risk

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

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

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

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

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

**(b) Determination of fair values**

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

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

**(I) Trade and other receivables**

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

**(II) Non-derivative financial liabilities**

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

**(III) Share-based payment transactions**

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

**Fair values**

Fair values versus carrying amounts

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

**Assets measured at fair value**

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

**Financial assets measured at amortized cost**

*In thousands of naira*

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long term receivables	2,501,289	2,501,289	2,363,177	2,363,177
Loans and receivables	7,330,755	7,330,755	13,947,625	13,947,625
Cash and cash equivalents	100,518,159	100,518,159	58,703,209	58,703,209
	<u>110,350,202</u>	<u>110,350,202</u>	<u>75,014,011</u>	<u>75,014,011</u>

Loans and receivables include trade receivables, allowances for expected credit loss, loans to staff and deposit for dividends with the Company registrars

*In thousands of naira*

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities measured at amortized cost</b>				
Unsecured intercompany loan	76,432,859	76,432,859	33,834,202	33,834,202
Secured bank loans	431,943	431,943	6,377,484	6,377,484
Bank overdraft	2,352	2,352	2,551	2,551
Trade and other payables	148,384,425	148,384,425	116,512,689	116,512,689
	<u>225,251,578</u>	<u>225,251,578</u>	<u>156,726,926</u>	<u>156,726,926</u>

The fair value of the financial assets and liabilities are determined based on level 3 inputs of the fair value hierarchy. At year end, the carrying amounts of loans and receivables and trade and other payables reasonably estimated their fair values.

**(c) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company's debt to capital ratio at the end of the reporting period was as follows:

*In thousands of naira*

	2021	2020
Total liabilities	288,860,295	216,888,012
Cash and cash equivalents	(100,518,159)	(58,703,209)
Net Debt	<u>188,342,136</u>	<u>158,184,803</u>
Total Equity	21,378,209	29,296,984
Debt to capital ratio at December 31	<u>8.81</u>	<u>5.40</u>

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

**(IV) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

**i Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of Company, primarily the Naira. The currencies in which these transactions primarily are denominated are Euro, US Dollars (USD), Pounds Sterling (GBP) and Swiss Francs (CHF). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their holdings of financial instruments.

The Company manages the transactional exposures in accordance with specific principles which are in line with the Company's business needs. These include balancing the sources of financial instruments. Exchange difference recorded in the statement of comprehensive income represented a loss of N1.7 billion (2019: N6.5 million). They are allocated to the appropriate headings of expenses by function.

Financial instruments analysed by currency is as follows

- USD United States Dollar
- Euro Euro
- GBP Pounds Sterling
- ZAR South African Rand
- SGD Singaporean Dollar
- XOF Ivorian CFA
- CHF Swiss Franc
- AED United Arab Emirates Dirham

*Amounts in thousands*

Unsecured intercompany loans  
Amount due from related parties  
Amount due to related parties  
Trade payables  
Net exposure

31 December 2021											
NGN	Euro	USD	CHF	XOF	ZAR	SGD	GBP	GHS	XAF	AED	JPY
		(176,596)									
-	2,398	2,029	-								
(28,970,179)	(11,614)	(65,011)	(2,877)			(10,356)	(2)				
(31,862,156)	(18,935)	(9,987)	(173)		(285)						
(60,832,335)	(28,152)	(249,565)	(3,050)	-	(285)	(10,356)	(2)	-			-

*Amounts in thousands*

Unsecured intercompany loans  
Amount due from related parties  
Amount due to related parties  
Trade payables  
Net exposure

31 December 2020										
NGN	Euro	USD	CHF	XOF	ZAR	SGD	GBP	GHS	XAF	JPY
		(82,472)								
197,701	2,973	2,552	13							
(23,828,518)	(32,664)	(23,305)	(2,331)	(7,444)		(342)	(0)		(78)	
(25,327,661)	(8,495)	(6,224)	(1,176)		(285)		(113)			
(48,958,478)	(38,185)	(109,449)	(3,494)	(7,444)	(285)	(342)	(113)	-	-	-

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

Euro  
United states dollar (USD)

Average rate		Year end spot rate	
2021	2020	2021	2020
490.42	433.68	492.77	503.62
425.62	379.80	435.00	410.25

### 32 Contingencies

#### (a) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N851 million as at 31 December 2021 (2020: N358 million). While the contingent assets in respect of pending litigations amounted to N660 million for the year ended 2021 (2020: N113 million), in the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

#### (b) Financial commitments

In the normal course of business, the company uses letters of credit to import materials. The total value of open letters of credit as at 31 December was N14.3 billion (2020: N12.2 billion). The Company also obtained a bank guarantees with a value of N509.4 million (2020: N89.4 million).

### 33 Related parties

#### (a) Parent and ultimate controlling party

As at the year ended 31 December 2021, Nestlé Switzerland (Nestlé S.A.), the ultimate holding Company owned 69.28% (2020: 66.50%) of the issued share capital of Nestlé Nigeria Plc.

#### (b) Transactions with related parties

##### General License Fee Agreement

Nestlé Nigeria Plc has a general license fee agreement with Societe Des Produits Nestlé S.A., for the provision of technical and other support services. The agreement was made with the approval of the National Office for Technology Acquisition and Promotion and payments are made to Societe Des Produits Nestlé S.A. The agreement was renewed in 2021 for a period of three (3) years, with effect from January 1, 2021. The technical fee recognised in the current year was N13.357 billion (2020: N11.165 billion). See Note 11a and 11b.

##### Shared Service Agreement

Nestlé Nigeria Plc also has an agreement with Nestlé Central and West Africa Limited (Nestlé CWA) whereby Nestlé CWA provides and charges for certain common shared services to the Company at a service cost. Service cost as defined by the terms of the contract means: all direct and indirect expenses charges, overheads and administration costs reasonably incurred by Nestlé CWA from time to time during the term of the agreement in providing the shared services, plus a 4% on the reimbursable cost of Nestlé Business Services and Operational and Commercial Services as allocated among the various countries in the region. The services provided by Nestlé CWA includes transactionary services as well as planning and management functions.

##### Sourcing of Raw Materials and Finished Products

Additionally, the Company sources part of its raw materials and finished products through companies related to its ultimate holding company, Nestlé S.A., incorporated in Switzerland.

**(c) Transactions with key management personnel**

**Loan to key management personnel**

New loan of N21.4 million was granted to key management personnel during the year ended 31 December 2021 (2020: N15.9 million) which include interest and non-interest bearing facilities and the loans are repayable in full over the agreed repayment period which could be short or long term. As at 31 December 2021, the balance outstanding was N30.5 million(2020: N17.3 million) and is included in trade and other receivables. (See note 21)

**(d) Key management personnel compensation**

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined contribution plan on their behalf. In accordance with the terms of the plan, directors and executive officers are entitled access to the fund when they retire. Executive officers also participate in the Company's long service awards programme. This programme awards a certain sum of cash benefit which accrues to the recipient on graduated periods of uninterrupted service.

Key management personnel compensation comprised:

*In thousands of naira*

	2021	2020
Short-term employee benefits	177,200	196,165
Contribution to compulsory pension fund scheme	16,810	10,714
Defined contribution gratuity scheme	22,630	12,522
Other long term benefit	-	-
Share based payments	154,113	269,078
	370,753	488,479

**(e) Other related party transactions**

Amount due to other related companies represents balances due on current accounts maintained with companies in the Nestlé Group for the importation of Property, plant and equipment (PPE), raw materials, finished products and services. Prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

**(i) Intercompany payables**

<i>In thousands of naira</i> <b>Related Party</b>	<b>Nature of transaction</b>	<b>Transaction value Year ended 31</b>		<b>Balance outstanding as at 31</b>	
		<b>December</b>		<b>December</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Nestlé Ghana Limited	Finished goods	631,681	624,891	166,363	84,054
Nestlé World Trade Corporation Limited	PPE/ Services	4,815,643	19,738,206	9,701,950	8,872,914
Nestlé Netherlands	Finished goods	163,551	213,737	334,807	219,602
Nestlé France Limited	Finished goods	26,251	91,017	458,558	733,125
Societe Des Produits Nestlé S.A	Services	11,113,808	9,341,639	11,484,001	3,172,868
Nestlé Central and West Africa	Services	6,210,980	6,264,881	14,648,178	7,985,228
Wyeth Nutritional Singapore	Finished Goods	2,228,794	2,712,650	123,553	408,715
Nestle S.A.	Services (Dividend Payable)	28,950,599	30,281,111	29,215,432	30,281,111
Nestle Mexico, S.A. De C.V.	Goods	7,096,823	5,684,992	4,147,751	3,680,477
Others		9,270,788	7,643,084	6,465,967	5,834,654
		70,508,919	82,596,209	76,746,560	61,272,748

Amount due from other related companies represents balances due on current accounts maintained with companies within the Nestlé Group for the export of finished goods and provision of services. Prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results. The aggregate value of transactions and outstanding balances relating to these entities were as follows;

**(ii) Intercompany receivables**

*In thousands of naira*

Related Party	Nature of transaction	Transaction value Year ended 31 December		Balance outstanding as at 31 December	
		2021	2020	2021	2020
Nestlé Burkina	Finished goods and Services	1,129,647	2,067,913	95,859	1,476,283
Nestlé Central And West Africa Limited	Finished goods and Services	674,127	807,706	445,556	232,791
Nestlé Ghana	Finished goods and Services	2,890,566	1,950,100	287,085	727,082
Nestlé Cote D'Ivoire	Finished goods and Services	1,339,860	53,786	1,021,091	60,758
Nestlé Angola Lda	Finished goods and Services	-	74,726	-	58,802
Nestlé Senegal	Finished goods and Services	4,270	83,110	1,939	61,120
Nestlé Cameroun	Finished goods and Services	80,671	53,814	47,265	40,025
Nestlé Middle East	Services		5,803	1,308	5,803
Nestec S.A.	Services		0	26,644	-
Others	Finished goods and Services	188,652	147,323	25,462	86,575
		<b>6,307,793</b>	<b>5,244,283</b>	<b>1,952,209</b>	<b>2,749,239</b>

All outstanding balances with these related parties are to be settled in cash within six months of the reporting date. None of these balances are secured nor interest bearing.

**(iii) Nestlé Nigeria Trust (CPFA) Limited**

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

Nestlé Nigeria Trust (CPFA) Limited is an unconsolidated structured entity licensed by the National Pension Commission (PENCOM) to conduct the business of a closed pension fund administrator. The activities of Nestlé Nigeria Trust (CPFA) Limited are regulated by the National Pension Commission (PENCOM) rather than by voting rights and the funds are managed in accordance with the PENCOM guidelines. The benefits arising from the activities of Nestlé Nigeria Trust (CPFA) Limited accrue principally to members of the provident, pension and defined contribution gratuity schemes and the company has no exposures to variable returns arising from its involvement.

The Company's residual interest in Nestlé Nigeria Trust (CPFA) Limited is immaterial. The funds and assets of the provident, pension are held by an independent licensed pension fund custodian in line with the Pension Reform Act, 2004.

The Company supports the sourcing of resources to Nestlé Nigeria Trust (CPFA) Limited and intends to continue to provide support into the future.

**34 Going Concern**

The financial statements have been prepared on a going concern basis which assumes the company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future

**35 Events after the reporting date**

There are no significant subsequent events after reporting date which could have had a material effect on the state of affairs of the Company as at 31 December 2021 that has not been adequately provided for or disclosed in the financial statements.



## **Other National Disclosures**

## Value Added Statement

*In thousands of naira*

		2021	%	2020	%
Revenue		351,822,329		287,084,087	
Brought in materials and services					
-	Local	(115,691,152)		(89,331,379)	
-	Imported	(130,460,236)		(100,735,384)	
		105,670,940		97,017,324	
Finance Income		1,987,042		646,546	
Value Added		<b>107,657,982</b>	<b>100</b>	<b>97,663,870</b>	<b>100</b>
Distribution of Value Added:					
To Employees:					
-	Employees as wages and salaries and end of service benefits	30,030,634	28	26,575,687	24
To Providers of Finance:					
-	Finance Costs	7,342,611	7	2,698,404	3
-	Company tax	21,234,703	20	21,899,010	22
Retained in the business:					
-	Depreciation of PPE and ROU assets	8,409,395	8	7,751,335	8
-	Deferred tax	603,362	-	(472,592)	(0)
-	Profit transferred to reserves	40,037,277	37	39,212,025	40
		<b>107,657,982</b>	<b>100</b>	<b>97,663,870</b>	<b>100</b>

"Value added" is the measure of wealth the company has created in its operations by "adding value" to the cost of products and services. The statement above summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out above is the amount retained and re-invested in the company for the replacement of assets and the further development of operations.

**Five-year financial summary**

<i>In thousands of naira</i>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Funds Employed</b>						
Issued share Capital	23 (a)(i)	396,328	396,328	396,328	396,328	396,328
Share Premium	23 (a)(ii)	32,262	32,262	32,262	32,262	32,262
Share based payment reserve	23 (a)(iii)	113,459	113,811	123,076	154,788	147,236
Retained Earnings		20,836,160	28,754,583	45,005,964	49,637,108	44,302,351
Shareholder's Fund		21,378,209	29,296,984	45,557,630	50,220,486	44,878,177
Current Liabilities		195,517,985	166,030,351	125,535,430	92,117,501	79,680,495
Non-current Liabilities		93,342,310	50,857,661	22,281,255	19,996,435	22,245,456
		<b>310,238,504</b>	<b>246,184,996</b>	<b>193,374,314</b>	<b>162,334,422</b>	<b>146,804,128</b>
<b>Asset Employed</b>						
Non Current assets		106,314,178	94,683,541	86,336,830	79,600,105	74,299,175
Current assets		203,924,326	151,501,455	107,037,484	82,734,317	72,504,953
		<b>310,238,504</b>	<b>246,184,996</b>	<b>193,374,314</b>	<b>162,334,422</b>	<b>146,804,128</b>
 <i>In thousands of naira</i>						
		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		<b>351,822,329</b>	<b>287,084,087</b>	<b>284,035,255</b>	<b>266,274,621</b>	<b>244,151,411</b>
Profit before income tax		61,875,342	60,638,443	71,123,824	59,750,846	46,828,682
Profit for the year		40,037,277	39,212,025	45,683,113	43,008,026	33,723,730
Other comprehensive income, net of tax		40,037,277	39,212,025	45,683,113	43,008,026	33,723,730
Total comprehensive income, net of tax		40,037,277	39,212,025	45,683,113	43,008,026	33,723,730
Declared dividend*		47,955,703	55,485,937	50,333,672	37,651,172	19,816,406
Per 50k share data:						
Basic earnings per share	14 (a)	50.51	49.47	57.63	54.26	42.55
Diluted earnings per share	14 (b)	50.51	49.47	57.63	54.26	42.55
Declared dividend per share		60.50	70.00	63.50	47.50	25.00
Net assets per share		26.97	36.96	57.47	63.36	56.62

\* Declared dividend represents the interim dividend declared during the year (N25.00) and final dividend proposed for the preceding year but declared during the current year.

Earnings per share (basic and diluted) are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

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