

Nestle Nigeria Plc  
Annual Report  
For the year ended 31 December 2023

<b>Contents</b>	<b>Page</b>
Directors' and Other Corporate Information	3
Result at a Glance	4
Directors' Report	5-13
Statement of Corporate Responsibility for the Financial Statements	14
Statement of Directors' Responsibilities in Relation to the Preparation of Financial Statements	15
Statutory Audit Committee Report	16
Management's Certification of Internal Control Over Financial Reporting	17
Management's Report on the Assessment of Internal Control Over Financial Reporting	18
Independent Auditor's Attestation Report on Management's Assessment of Internal Control over Financial Reporting	19-20
Independent Auditor's Report	21-25
Statement of Profit or Loss and Other Comprehensive Income	26
Statement of Financial Position	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to the Financial Statements	30-82
<b>Other National Disclosures:</b>	83
Value Added Statement	84
Five-Year Financial Summary	85

## Directors' and other Corporate Information

<b>Board of Directors:</b>	Mr. Gbenga Oyebode	From 18/05/2023	Chairman
	Mr. David Ifezulike	Up to 17/05/2023	Chairman
	Mr. Wassim Elhousseini (Lebanese)		Managing Director/Chief Executive Officer
	Mr. Namit Mishra (Indian)	From 1/08/2023	Finance & Control Director
	Mr. Sarmad Saleem (Pakistani)	Up to 31/07/2023	Finance & Control Director
	Mr. Ibukun-olu Ipinmoye		Executive Director
	Mr. Mauricio Alarcon (Mexican)		Non-Executive Director
	Mr. Martin Kruegel (German)	From 01/02/2023	Non-Executive Director
	Mr. Ricardo Chavez (Mexican)	Up to 31/01/2023	Non-Executive Director
	Dr. Juliet Ehimuan		Independent Non-Executive Director
	Mrs. Adebisi Lamikanra		Independent Non-Executive Director
Mrs. Maryam Aliko Mohammed	From 1/08/2023	Independent Non-Executive Director	

### Tax Identification

**Number:** 00389604-0001

### Registered Company

**Number:** 6540

### Company Secretary/ Legal Adviser

Mr. Bode Ayeku

### Registered Office:

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

### Registrar:

Greenwich Registrars & Data Solutions Limited  
274 Murtala Muhammed Way  
Alagomeji, Yaba, Lagos  
Tel: 01- 5803369, 5451399, 5803367

### Independent Auditor:

Ernst & Young  
10th & 13th floors, UBA House  
57 Marina  
Lagos, Nigeria  
Tel: +234(1)6314500

### Members of the Audit Committee

Mr. Matthew Akinlade	Chairman
Alhaji Kazeem Owonikoko Bello	Shareholders' Representative
Mr. Christopher Nwaguru	Shareholders' Representative
Dr. Juliet Ehimuan - From 18/05/2023 to 31/07/2023	Directors' Representative
Mr. Gbenga Oyebode Up to 17/05/2023	Directors' Representative
Mrs. Adebisi Lamikanra	Directors' Representative
Mrs. Maryam Aliko Mohammed - From 01/08/2023	Directors' Representative

## RESULTS AT A GLANCE

	2023	2022	Increase/ (decrease) %
<i>In thousands of naira</i>			
Revenue	547,118,754	446,819,260	22%
Results from operating activities	123,787,597	87,468,624	42%
(Loss)/profit before income tax	(104,025,429)	71,109,371	(277%)
Income tax credit/ (expense)	24,551,648	(22,143,883)	(270%)
(Loss)/profit for the year	(79,473,781)	48,965,488	(280%)
Share capital	396,328	396,328	0%

### Data per 50k share

Basic (loss)/ earnings	(N100.26k)	N61.77K
Dividend paid *	N36.5	N50.50K
Net assets	(N98.45k)	N38.21K

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

Interim dividend declared	Nil	N25.00
Final dividend proposed*	Nil	N36.50K

### Stock Exchange Information

Stock exchange quotation at 31 December:			
in Naira per share	1,100	1,100	0.0%
Number of shares issued ('000)	792,656	792,656	0.0%
Market capitalisation at 31 December (N: million)	871,922	871,922	0.0%

\* Dividend paid represents the final dividend of N36.50K proposed for the preceding year 2022 but paid in the current year. No interim or final dividend was declared for the 2023 financial year.

## Directors' Report

### 1 Financial Statements

The directors present their annual report on the affairs of Nestlé Nigeria Plc ("the Company") for the year ended 31 December 2023.

### 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:

	2023	2022	Increase/ (decrease) %
In thousands of naira			
Revenue	547,118,754	446,819,260	22%
Results from operating activities	123,787,597	87,468,624	42%
(Loss)/ profit before income tax	(104,025,429)	71,109,371	(246%)
(Loss)/ profit after income tax	(79,473,781)	48,965,488	(262%)
Total comprehensive (loss)/ income for the year	<u>(79,473,781)</u>	<u>48,965,488</u>	(262%)

### 4 Dividend

No interim or final dividend was declared for the 2023 financial year (2022: Interim N25.00, final N36.50K).

### 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	
			<u>2023</u>	<u>2022</u>
Mr. Gbenga Oyebo	From-18/05/2023	- Chairman	Nil	Nil
Mr. David Ifezulike	Up to 17/05/2023	- Chairman	56,255	56,255
Mr. Wassim Elhousseini (Lebanese)		- MD/CEO	Nil	Nil
Mr. Sarmad Saleem (Pakistani)	Up to 31/07/2023		Nil	Nil
Mr. Namit Mishra (Indian)	From 1/08/2023		Nil	Nil
Mr. Ibukun-olu Ipinmoye			2,328*	2,328*
Mr. Mauricio Alarcon (Mexican)			Nil	Nil
Mr. Ricardo Chavez (Mexican)	Up to 31/01/2023		Nil	Nil
Mr. Martin Kruegel (German)	From 01/02/2023		Nil	Nil
Dr. Juliet Ehimuan			2,146	2,146
Mrs. Adebisi Lamikanra			Nil	Nil
Mrs. Maryam Aliko Muhammed			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 2023, Mr. Wassim Elhousseini has 3,187 shares of Nestlé S.A. Switzerland. Mr Namit Mishra has RSUP:1,429 (vested 409) shares of Nestlé S.A. Switzerland and 95 PSUP); Mr. Mauricio Alarcon has 8,901 shares of Nestlé S.A. Switzerland and Mr. Martin Kruegel has 9,478 shares of Nestlé S.A. Switzerland. Mr. Mauricio Alarcon and Mr. Martin Kruegel are representing Nestlé S.A., Switzerland on the Board.

\*Out of the 2,328 shares of Nestle Nigeria Plc held by Mr. Ibukun-olu Ipinmoye, 2,250 shares are managed on his behalf by FBN Quest Trustees Limited, while the remaining 78 shares are registered in his name. Mr. Ipinmoye has 602 RSUP and 302 PSUP stock units of Nestle S.A. Switzerland.

- (b) Mr. Gbenga Oyebo is the Chairman of CFAO Nigeria Plc, one of our vehicle suppliers. Mrs. Adebisi Lamikanra is a director in Standard Chartered Bank Limited, one of our bankers. In accordance with Section 303 of the Companies and Allied Matters Act of Nigeria 2020, they have notified the Company of their position with CFAO Nigeria Plc and Standard Chartered Bank Limited respectively.

## Directors' Report-Continued

- (c) No share options were granted to the directors by Nestlé Nigeria Plc. However, Nestlé S. A. Switzerland, 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 22(a)(iii) to the financial statements.

### 6 Records of Directors' Attendance

Further to the provisions of Section 284(2) of the Companies and Allied Matters Act of Nigeria 2020, the Record of Directors' Attendance at Board Meetings held in 2023 is available at the Annual General Meeting for inspection.

### 7 Analysis of Shareholdings as at 31st December 2023

			Number of shareholders	%	Number of shares	%
1	-	5000	28,046	90.31	21,107,109	2.66
5001	-	10000	1,525	4.91	10,438,687	1.32
10001	-	50000	1,193	3.84	23,769,265	3.00
50001	-	100000	111	0.36	7,836,026	0.99
100001	-	500000	123	0.40	26,055,576	3.29
500001	-	1000000	24	0.08	17,391,436	2.19
1000001	-	5000000	27	0.09	56,990,613	7.19
5000001	-	50000000	5	0.02	67,787,234	8.55
			31,054	100.00	231,375,946	29.19
Nestlé S.A, Switzerland			1	0.00	36,720,849	4.63
Societe Des Produits Nestle S.A			1	0.00	524,559,457	66.18
			<b>31,056</b>	<b>100.00</b>	<b>792,656,252</b>	<b>100.00</b>

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 2023.

\*\* 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 the shares of Nestlé Nigeria Plc are listed.

There were no contraventions of the capital market regulations in the year under review.

Substantial shareholder		
Shareholder	Units held	Percentage
Societe Des Produits Nestle S.A	524,559,457	66.18

### 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 N355,568,000 (2022: N235,789,213 ) and analysed as follows:

	2023	2022
<i>In thousands of naira</i>		
Nestle community water projects,school projects and scholarship scheme	27,410	34,882
Nestle for healthier kids	67,489	54,214
Rural Women Empowerment Project	11,887	25,996
Nigerian Economic Summit Group	10,000	10,000
Product Donations (including Nestle Cares Orphanage Outreach)	43,628	37,546
Grains Project	39,000	25,279
Technical Training Centers (TTCs)	156,154	46,872
Agriculture Summit Africa	-	1,000
	<b>355,568</b>	<b>235,789</b>

## Directors' Report-Continued

### 9 Donations (continued)

In compliance with Section 43(2) of the Companies and Allied Matters Act of Nigeria 2020, 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 grains quality improvement and food transformation/preservation techniques.

### 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 employees of Nestlé Nigeria Plc.

### 11 Local Sourcing of Raw Materials

On a continuing basis, the Company explores the use of local raw materials such as soya bean, maize, cocoa, palm olein, sorghum, cassava and corn starch in its production processes 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 Société 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 Société 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. The company has submitted application to NOTAP for renewal of the general licence agreement for another period of three years.

### 15 Acquisition of Own Shares

The Company did not purchase any of its own shares during the year same as prior year 2022.

### 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 (2022: 12) physically challenged persons in its employment as at 31 December 2023.

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.

## Directors' Report-Continued

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

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

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

### (c) Employees involvement and training

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

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

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

The Nestlé Technical Training Center (TTC) is a multi-skill engineering training program which runs for a period of 18 months. The content of the course is based on the syllabus of City and Guilds of London Technicians Examinations Certificates in Engineering, one of the world's leading vocational education organizations.

The total number of those who have so far completed the programme in our Technical Trainee Centers in Agbara and Abaji factories from 2013 to 31 December 2023 is one hundred and thirty-nine (139). The cost of the training for the eight (8) sets of graduates was fully paid by our Company.

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 you that the sets of TTC graduates 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 Guilds examinations from levels 3 to 5. The latest batch of graduates of the scheme in Agbara factory (20 Trainees) completed their 18 months program in August 2022 and recorded outstanding result. The best graduating trainee had 29 distinctions from City and Guild examinations from levels 3 to 5.

To reduce unemployment, a total of one hundred and thirty-one (131) graduates were given employment by our Company. The other eight (8) graduates are in full time employment with other organizations. The breakdown of the beneficiaries of the TTC is as follows:

## Directors' Report-Continued

### (c) Employees involvement and training (continued)

BATCH NO.	YEAR OF GRADUATION	SITE	NO. ADMITTED	NO. OF GRADUATES	NO. EMPLOYED BY NESTLE	NO. EMPLOYED BY EXTERNAL PARTY
1	2013	AGBARA	16	13	9	4
2	2015		16	14	12	2
3	2017		20	20	20	0
4	2019		20	20	20	0
5	2021		20	20	20	0
6	2022		20	20	19	1
7	2023		20	Still in session	N/A	N/A
<b>Total</b>			<b>132</b>	<b>107</b>	<b>100</b>	<b>7</b>
1	2023	FLOWERGATE	20	Still in session	N/A	N/A
<b>Total</b>			<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>
1	2019	ABAJI	12	12	11	1
2	2021		20	20	20	0
3	2023		20	Still in session	N/A	N/A
<b>Total</b>			<b>52</b>	<b>32</b>	<b>31</b>	<b>1</b>
<b>GRAND TOTAL</b>			<b>204</b>	<b>139</b>	<b>131</b>	<b>8</b>

The success of the TTC in our Agbara and Abaji factories has encouraged us to establish the TTC model in our Flowergate factory in Sagamu which was commissioned on 10 February, 2023 with twenty (20) pioneer students.

#### 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 (up to 31 January 2023), Mr. Martin Kruegel (from 1 February 2023), Mr. Gbenga Oyeboode (up to 17 May 2023) and Dr. Juliet Ehimuan (from 18 May 2023).

#### 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 17 May 2023. 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
Dr. Juliet Ehimuan - From 18/05/2023 to 31/07/2023	Directors' Representative
Mr. Gbenga Oyeboode - Up to 17/05/2023	Directors' Representative
Mrs. Adebisi Lamikanra	Directors' Representative
Mrs. Maryam Aliko Muhammed - From 01/08/2023	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 (up to 17 May 2023), Dr. Juliet Ehimuan, Mrs. Adebisi Lamikanra and Mrs. Maryam Aliko Muhammed from 1 August 2023.

## Directors' Report-Continued

### 19 Board Audit and Risk Management Committee (continued)

#### 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 23 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.

### 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:

##### (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.

## Directors' Report-Continued

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

#### (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.

#### (e) Leadership and Personal Responsibility

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

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

#### (f) Safety and Health at Work

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

We have Clinics in our Factories, Distribution Centre and Head Office. The Clinics at the factories operate 24 hours service. Also we have Hospitals listed on retainer basis with the Company for our employees and their family use. 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.

## Directors' Report-Continued

### (j) Water (continued)

#### 23 Number, diversity, training initiatives and development of employees

As at 31 December 2023, the staff strength of the Company was 2,375 (2022: 2,320). 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 29 (2022: 31) of our staff on overseas' assignments in Ghana, Cote D' Ivoire, Cameroun, Switzerland, Angola and Malaysia, in order to give them the required exposure to enable them take up higher responsibilities.

#### 24 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.

#### 25 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 Exchange Group. 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 Exchange Group. 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.

#### 26 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-four (24) management staff (including the current and past executive directors) of the Company for the year ended 31 December 2023 is N2.193 billion." (2022: N1.217 billion)

#### 27 Notable awards received in 2023

Nestlé Nigeria received multiple awards from esteemed organizations in recognition of her exceptional performance across various business metrics including people practices, food security, sustainability, diversity and inclusion, and Creating Shared Value Initiatives.

The awards include:

1. HR OSCARS Best Practices Award by the Chartered Institute of Personnel Management of Nigeria (CIPMN)
  - Winner of the HR Best Practice Award in the FMCG Sector in Nigeria
  - 1st Runner Up for the overall HR Best Practice Award in Nigeria
2. Nigerian Employers Consultative Association and Industrial Training Fund (NECA-ITF) Award
  - Organization with the Highest Number of Job Placements for Technical Trainees

## 27 Directors' Report-Continued

### Notable awards received in 2023 (Continued)

3. Industrial Training Fund
  - Best Contributing Employer in training activities for 2023 within the Isolo Area Jurisdiction.
4. Nigerian Employers Consultative Association (NECA) 2023 Employers Excellence Awards
  - Best Employer in Food and Beverage Category
  - Investment in Sustainability and Green Initiatives
  - Exemplary Investment in Diversity and Inclusion
  - Recognition of Efforts towards the elimination of Child Labor in the Workplace
5. SERAS (Sustainability, Enterprise and Responsibility) CSR Awards
  - Best Company in Rural Population Integration (for the Rural Women Empowerment Program)
  - Best Company in Food Security (for the Developing Grains Value Chain Project)
  - Most Responsible Organization in Africa: 2<sup>nd</sup> Runner-up
6. Environmental Sustainability Conference, Expo and Awards (ECOSEA)
  - One of the Top 20 companies in Environmental Sustainability
7. Lagos Public Relations Industry Gala and Awards (LAPRIGA)
  - Best Company in Corporate Social Responsibility (for our Creating Shared Value Initiatives)
  - Best In Community Relations
  - Best in Internal Communications and Employee Engagement (for various initiatives that enhance collaboration among employees, including Nestlé Cares, The Insider, our Bi-monthly Newsletter, The Internal Communications Council)

### BY ORDER OF THE BOARD



Bode Ayeku, FCIS  
Company Secretary/Legal Adviser  
FRC/2012/NBA/00000000637  
22-24, Industrial Avenue  
Ilupeju,  
Lagos.

## Statement of the Corporate Responsibility for the Financial Statements For the year ended 31 December 2023

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 2023 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 statements 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 over the financial reporting as of date within 90 days prior to the reports;
  - 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.



**Gbenga Oyeboade**  
(Chairman)  
FRC/2013/NBA/00000002546



**Wassim Elhusseini**  
(Managing Director)  
FRC/2020/003/00000022041



**Namit Mishra**  
(Finance & Control Director)  
FRC/2023/PRO/ANAN/002/864258

## Statement of Directors' Responsibilities in relation to the preparation 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 2023, 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 (Amended) Act, 2023.

### 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 IFRS 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 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, 2023 were approved by the directors on 27th February, 2024.

### SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

**Gbenga Oyebo**  
(Chairman)  
FRC/2013/NBA/00000002546

**Wassim Elhousseini**  
(Managing Director)  
FRC/2020/003/00000022041

**Namit Mishra**  
(Finance & Control Director)  
FRC/2023/PRO/ANAN/002/864258

## STATUTORY AUDIT COMMITTEE REPORT



Nestlé Nigeria PLC (RC 6540)

22-24, INDUSTRIAL AVENUE, ILUPEJU  
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 confirm that we have carried out our statutory functions under the Act and have examined the independent Auditor's Report for the year ended 31 December 2023 and hereby state as follows:

1. The scope and planning of the audit are adequate.
2. The accounting and reporting policies of the Company conform with the statutory requirements and agreed ethical practices.
3. The internal control was being constantly and effectively monitored.
4. We have reviewed the Auditor's findings on management matters and are satisfied with the management responses thereon.
5. We have made recommendations to the Board with regard to the Auditors' report and remuneration of the external auditors of the Company.

We have obtained all the information and explanations we required.

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

Dated this 27th day of February 2024  
Lagos, Nigeria

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

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Matthew Akinlade  
Chairman, Audit Committee.  
FRC/2013/PRO/ICAN/001/00000002111

#### **Members of the Audit Committee:**

Mr. M. Akinlade (Chairman)  
Mr. C. Nwaguru (Member)  
Alhaji K. O. Bello (Member)  
Mrs. A. Lamikanra (Member)  
Mrs. M. A. Muhammed (Member)

Year ended 31 December 2023

**Certification of Internal Control Over Financial Reporting**

We, **Wassim Elhousseini (the Managing Director)** and **Namit Mishra (the Finance & Control Director)** of **Nestle Nigeria Plc**, certify that:

- a) We have reviewed this Management's Report on the Assessment of Internal Control Over Financial Reporting of **Nestle Nigeria Plc**;
- b) Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on our knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- d) We:
  - 1) are responsible for establishing and maintaining internal controls;
  - 2) have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the company, is made known to us by others, particularly during the period in which this report is being prepared;
  - 3) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 4) have evaluated the effectiveness of the company's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) We have disclosed, based on our most recent evaluation of internal control system, to the company's auditors and the audit committee of the company's board of directors:
  - 1) There were no significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - 2) There were no fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control system.
- f) We have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.

**Dated this 27th day of February 2024**



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**Wassim Elhousseini**  
**(Managing Director)**

**FRC/2020/003/00000022041**



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**Namit Mishra**  
**(Finance & Control Director)**

**FRC/2023/PRO/ANAN/002/864258**

## MANAGEMENT ASSESSMENT REPORT



### Management's Report on the Assessment of Internal Control Over Financial Reporting as at 31st December 2023

Management of Nestlé Nigeria Plc ("Nestlé" or the "Company") is responsible for establishing and maintaining an adequate system of internal control over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance to management and the board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Nestlé's system of internal control over financial reporting is supported with written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and, therefore, can provide only reasonable assurance as to the reliability of financial statement preparation and such asset safeguarding.

Management has assessed the effectiveness of its internal control over financial reporting as of 31 December 2023. In making this assessment, management used the COSO 2013 "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of 31 December 2023, the Company's internal control over financial reporting is designed and operating effectively. Additionally, based upon management's assessment, the Company determined that there were no material weaknesses in its internal control over financial reporting as of 31 December 2023.

The effectiveness of the Company's internal control over financial reporting as of 31 December 2023, has been audited by Ernst and Young, an independent registered public accounting firm, as stated in their report which appears on page 19-20.

Dated this 27th day of February 2024

A blue ink signature of Wassim Elhusseini, consisting of stylized initials and a surname.

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**Wassim Elhusseini**  
(Managing Director)  
FRC/2020/003/00000022041

A black ink signature of Namit Mishra, consisting of stylized initials and a surname.

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**Namit Mishra**  
(Finance & Control Director)  
FRC/2023/PRO/ANAN/002/864258

## Independent Auditor's Attestation Report on Management's Assessment of Internal Control over Financial Reporting

To the members of Nestle Nigeria Plc

### Scope

We have been engaged by Nestle Nigeria Plc to perform a 'limited assurance engagement', based on International Standards on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, herein referred to as the engagement, to report on Nestle Nigeria Plc Internal Control over Financial Reporting (ICFR) (the "Subject Matter") contained in Nestle Nigeria Plc's (the "Company's") Management's Assessment on Internal Control over Financial Reporting as of 31 December 2023 (the "Report").

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Criteria applied by Nestle Nigeria Plc

In designing, establishing and operating the Internal Control over Financial Reporting (ICFR) and preparing the Management's assessment of the Internal Control over Financial Reporting (ICFR), Nestle Nigeria Plc applied the requirements of Internal Control-Integrated Framework (2013) of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework and SEC Guidance on Management Report on Internal Control Over Financial Reporting (Criteria). Such Criteria were specifically designed to enable organizations effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization; As a result, the subject matter information may not be suitable for another purpose.

### Nestle Nigeria Plc's responsibilities

Nestle Nigeria Plc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Nestle Nigeria Plc's *management's assessment of the Internal Control over Financial reporting as of 31 December 2023* in accordance with the criteria.

***Our responsibilities***

Our responsibility is to express a conclusion on the design and operating effectiveness of the Internal Control over Financial Reporting based on our Assurance engagement.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, those standards require that we plan and perform our engagement to obtain limited assurance on the entity's internal control over financial reporting based on our assurance engagement.

***Our independence and quality management***

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code) and have the required competencies and experience to conduct this assurance engagement.

We also apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Description of procedures performed***

The procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provides a basis for our report on the internal control put in place by management over financial reporting.

***Conclusion***

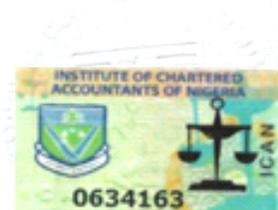
In conclusion, nothing has come to our attention to indicate that the internal control over financial reporting put in place by management is not adequate as of 31 December 2023, based on the requirements of Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework and SEC Guidance on Management Report on Internal Control Over Financial Reporting.

***Other Matter***

We also have audited, in accordance with the International Standards on Auditing, the annual report for the year ended 31 December 2023 of Nestle Nigeria Plc and our report dated 27 February 2024 and we expressed an unmodified opinion. Our conclusion is not modified in respect of this matter.



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**Omolola Alebiosu, FCA**  
FRC/2012/PRO/ICAN/004/00000000145  
For: Ernst & Young  
Lagos, Nigeria.



27 February 2023

## **Independent Auditor's Report**

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

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

#### ***Opinion***

We have audited the financial statements of Nestle Nigeria Plc ('the Company'), which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Nestle Nigeria Plc as at 31 December 2023, 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 (Amendment) Act 2023.

#### ***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 Ethics Standards Board for Accountants' 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 code. 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 Nestle Nigeria Plc*

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Measurement of Other long-term employee benefits</b></p> <p>As of 31 December 2023, the Company calculated and recorded other long-term employee benefits of N4.04 billion (2022: N4.35 billion) for its employees. The benefits are 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. 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.</p> <p>We considered the other long-term benefits to be a key audit matter due to volatility in various parameters used in estimation of the other employee benefits during the year due to economic instability; including the possible impact of changes in the assumptions used in the estimate and judgement involved in calculation of other long term employee benefits obligations. Changes in a number of these key assumptions used to estimate the Company's other long-term benefits could have a material impact on the estimated liability.</p> <p>The estimates and assumption on other long-term employee benefits have been disclosed on Note 24 to the Financial Statements - Employee Benefits.</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 the estimation and 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; vis - a - vis current year changes.</li> <li>• Evaluate the key assumptions used in the discount rate and inflation rate 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; including other data.</li> </ul>

## Independent Auditor's Report

*To the Members of Nestle Nigeria Plc*

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

#### ***Other Information***

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Nestle Nigeria Plc Annual Financial Statements for the year ended 31 December 2023", which includes the Report of the Directors, Statement of Corporate Responsibility for the Financial Statements, Statement of Directors' Responsibilities in Relation to the preparation of the Financial Statements, and Other National Disclosures. The 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.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 the 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 (Amendment) Act 2023, 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.

## Independent Auditor's Report

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

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

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

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

- 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 Directors' 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

#### *Auditor's Responsibilities for 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.

In accordance with the requirements of the Financial Reporting Council of Nigeria (FRC) Guidance on Assurance Engagement Report on Internal Control over Financial Reporting:

We performed a limited assurance engagement and reported on management's assessment of the Company's internal control over financial reporting as of 31 December 2023. The work performed was done in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, and we have issued an unmodified opinion in our report dated 27 February 2024. That report is included on page 19-20 of the financial statements.



Omolola Alebiosu, FCA  
FRC/2012/PRO/ICAN/004/00000000145  
For Ernst & Young  
Lagos, Nigeria

27 February 2023.



## Statement of Profit or loss and Other Comprehensive Income For the year ended 31 December 2023

In thousands of naira

	Notes	2023	2022
Revenue	9	547,118,754	446,819,260
Cost of sales	11(c)	<u>(329,945,347)</u>	<u>(291,054,270)</u>
<b>Gross profit</b>		217,173,407	155,764,990
Marketing and distribution expenses	11(c)	(73,779,995)	(57,331,351)
Administrative expenses	11(c)	(20,089,038)	(10,935,972)
(Write back)/ impairment of financial assets	11 (b)	<u>483,222</u>	<u>(29,043)</u>
<b>Results from operating activities</b>		123,787,596	87,468,624
Finance income	10	5,690,939	4,777,113
Finance costs	10	<u>(233,503,964)</u>	<u>(21,136,366)</u>
Net finance costs		(227,813,025)	(16,359,253)
<b>(Loss)/profit before income tax</b>		(104,025,429)	71,109,371
Income tax credit/ (expense)	13 (a)	24,551,648	(22,143,883)
<b>(Loss)/profit for the year</b>		<u>(79,473,781)</u>	<u>48,965,488</u>
Other comprehensive income; net of tax		-	-
<b>Total comprehensive (loss)/income for the year</b>		<u>(79,473,781)</u>	<u>48,965,488</u>
<b>(Loss)/profit for the year is attributable to:</b>			
Owners of the company		<u>(79,473,781)</u>	<u>48,965,488</u>
<b>(Loss)/earnings per share</b>		<b>N</b>	<b>N</b>
Basic (loss)/earnings per share		<u>(100.26)</u>	<u>61.77</u>
Diluted (loss)/earnings per share		<u>(100.26)</u>	<u>61.77</u>

The accompanying notes on pages 30 to 82 form an integral part of these financial statements.

## Statement of Financial Position As at 31 December 2023

In thousands of naira

	Notes	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15 (a)	165,383,791	116,739,370
Right-of-use assets	15 (b)	5,437,253	4,976,420
Long term receivables	17	3,122,574	2,816,337
Deferred tax assets	14	46,487,437	-
Prepayments	18	97,566	-
<b>Total non-current assets</b>		<b>220,528,621</b>	<b>124,532,127</b>
<b>Current assets</b>			
Inventories	19(a)	87,792,561	88,340,532
Right of return assets	19 (c)	60,714	72,879
Trade and other receivables	20	102,227,370	82,237,026
Prepayments	18	3,430,134	1,929,037
Cash and short-term deposits	21	167,735,007	117,932,430
<b>Total current assets</b>		<b>361,245,786</b>	<b>290,511,904</b>
<b>Total assets</b>		<b>581,774,407</b>	<b>415,044,031</b>
<b>Equity</b>			
Share capital	22(a)(i)	396,328	396,328
Share premium	22(a)(ii)	32,262	32,262
Share based payment reserve	22(a)(iii)	169,481	90,127
Retained earnings		(78,633,227)	29,772,507
		(78,035,156)	30,291,224
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	23	365,127,523	147,006,556
Employee benefits	24	4,044,331	4,359,648
Lease liabilities	28	-	127,889
Deferred tax liabilities	14	-	14,854,152
		369,171,854	166,348,245
<b>Total current liabilities</b>			
Trade and other payables	26	197,279,592	166,161,861
Contract liabilities	27	20,063,006	16,548,425
Refund liabilities	19 (c)	99,931	112,333
Current tax liabilities	13(b)	35,110,603	26,208,706
Lease liabilities	28	179,323	53,717
Interest bearing loans and borrowings	23	37,192,043	8,293,512
Provisions	25	713,211	1,026,008
		290,637,709	218,404,562
<b>Total liabilities</b>		<b>659,809,563</b>	<b>384,752,807</b>
<b>Total equity and liabilities</b>		<b>581,774,407</b>	<b>415,044,031</b>

THE BOARD APPROVED THE FINANCIAL STATEMENTS ON 26TH FEBRUARY 2024



Gbenga Oyebo  
(Chairman)  
FRC/2013/NBA/00000002546



Wassim Elhousseini  
(Managing Director)  
FRC/2020/003/00000022041



Namit Mishra  
(Finance and Control Director)  
FRC/2023/PRO/ANAN/002/864258

The accompanying notes on pages 30 to 82 form an integral part of these financial statements.

## Statement of Changes in Equity for the year ended 31 December 2023

In thousands of naira

Attributable to equity holders of the company

	Share Capital	Share Premium	Share based Payment reserve	Retained Earnings	Total equity
<b>As at 1 January 2023</b>	396,328	32,262	90,127	29,772,507	30,291,224
Loss for the year	-	-	-	(79,473,781)	(79,473,781)
Other comprehensive income for the year; net of taxation	-	-	-	-	-
<b>Total comprehensive loss for the year; net of taxation</b>	-	-	-	(79,473,781)	(79,473,781)
<b>Transactions with owners, recorded directly in equity</b>					
Dividend to equity holders				(28,931,953)	(28,931,953)
Share based payment contribution (Note 22a (iii))			202,882		202,882
Share based payment recharge (Note 22a (iii))			(123,528)		(123,528)
<b>Balance as at 31 December 2023</b>	<b>396,328</b>	<b>32,262</b>	<b>169,481</b>	<b>(78,633,227)</b>	<b>(78,035,156)</b>
<b>Balance as at 1 January 2022</b>	<b>396,328</b>	<b>32,262</b>	<b>113,459</b>	<b>20,836,160</b>	<b>21,378,209</b>
<b>Profit for the year</b>					
Profit for the year				48,965,488	48,965,488
Other comprehensive income for the year; net of taxation				-	-
<b>Total comprehensive income; net of taxation</b>				<b>48,965,488</b>	<b>48,965,488</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividend to equity holders				(40,029,141)	(40,029,141)
Share based payment contribution (Note 22a (iii))			131,787		131,787
Share based payment recharge (Note 22a (iii))			(155,119)		(155,119)
<b>Balance as at 31 December 2022</b>	<b>396,328</b>	<b>32,262</b>	<b>90,127</b>	<b>29,772,507</b>	<b>30,291,224</b>

The accompanying notes on pages 30 to 82 form an integral part of these financial statements.

## Statement of Cash Flows for the year ended 31 December 2023

In thousands of naira

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
(Loss)/ profit before tax*		(104,025,429)	71,109,371
Adjustments to reconcile (loss)/ profit after tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment and right-of-use asset	15 (a)&(b)	11,672,988	9,752,565
Finance income	10	(5,690,939)	(4,777,113)
Net foreign exchange difference on financing- (Unrealised)	10	172,975,554	7,488,633
Net foreign exchange difference on others - (Unrealised)	11	9,355,684	8,015,968
Finance costs	10	38,430,966	12,682,244
Equity settled share based payment transactions	22(a)iii	202,882	131,787
Net service cost for other long term employee benefits**	24	542,241	518,475
Actuarial gain on remeasurement of employee benefits**	24	(922,216)	(168,636)
(Profit)/ loss on the disposal of property, plant and equipment	15(d)	(41,862)	47,542
Expected credit loss/ (write back) on treasury bills	21	30,970	(23,465)
Expected credit loss/ (write back) on intercompany receivables	31	98,827	(75,086)
(Write back)/ expected credit loss trade receivables	29(ii)	(613,019)	127,595
Bad debt recovered***	29(ii)	(206,403)	(379,592)
Write down of inventories	19	1,168,227	3,238,111
(Profit)/ loss on the derecognition of right-of-use assets	15 (b)	-	10,648
Loss/ (gain) on lease modification	15 (f)	204,426	(335,438)
		<b>123,182,897</b>	<b>107,363,609</b>
Increase in long term receivables		(306,237)	(315,048)
Increase in inventories		(620,256)	(32,612,496)
(Decrease)/ increase in right of return assets		12,165	(27,436)
Increase in trade and other receivables***		(19,269,750)	(38,607,185)
Increase in prepayments		(1,598,663)	(835,197)
Increase/ (decrease) in trade and other payables		6,599,834	(16,243,107)
Increase in contract liabilities		3,514,581	1,096,071
(Decrease)/ increase in refund liabilities		(12,402)	33,370
Decrease in provisions		(312,797)	(1,675,490)
<b>Cash generated from operating activities</b>		<b>111,189,372</b>	<b>18,177,091</b>
Income tax paid	13(b)	(27,888,044)	(21,950,370)
Other long term employee benefit paid	24	(474,969)	(504,565)
Share based payment recharge paid	22(a)(iii)	(123,528)	(155,119)
<b>Net cash from/ (used in) operating activities</b>		<b>82,702,831</b>	<b>(4,432,963)</b>
<b>Cash flows from investing activities</b>			
Interest on securities and bank deposits	10	5,690,939	4,777,113
Proceeds from sale of property, plant and equipment	15(d)	444,701	78,402
Acquisition of property, plant and equipment and right-of-use assets	15 (a)&(b)	(61,247,957)	(27,723,666)
<b>Net cash used in investing activities</b>		<b>(55,112,317)</b>	<b>(22,868,150)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans obtained:			
-- Intercompany loan	23(a)	58,166,740	51,567,250
-- Bank loan - Import Trade Finance Facilities(ITFF)	23(a)	90,159,897	50,436,243
Loan repayment - Import Trade Finance Facilities(ITFF)	23(a)	(74,355,075)	(42,911,281)
Payment of principal portion of lease liabilities	28	(227,385)	(41,800)
Finance cost paid	23(a)	(38,681,098)	(782,027)
Dividends paid	22	(13,769,740)	(14,026,589)
<b>Net cash provided by financing activities</b>		<b>21,293,339</b>	<b>44,241,796</b>
Net increase in cash and cash equivalents		48,883,853	16,940,683
Cash and cash equivalents at January 1st		117,981,705	100,588,547
Effect of exchange rate fluctuations on cash held		949,693	452,475
<b>Cash and cash equivalents at 31 December</b>	21	<b>167,815,251</b>	<b>117,981,705</b>

\*In the year ended 31 December 2022 profit after tax was used in reconciliation of cash movement from operating activities, this was adjusted in current year to profit before tax to align with current year presentation.

\*\*Actuarial gain on remeasurement of employee benefits was included in net service cost in the year ended 31 December 2022, this has been presented as a separate line item in 2023 to align with current year disclosure.

\*\*\*Included in the cash flows from operating activities in 31 December 2022 is the bad debt recovered on expected credit loss on trade receivable to ensure consistency with 31 December 2023 disclosure.

The accompanying notes on pages 30 to 82 form an integral part of these financial statements.

## Notes to the financial statements

<b>Table of Contents</b>		<b>Page</b>	<b>Table of Contents</b>		<b>Page</b>
1	Reporting entity	31	23	Interest bearing loans and borrowing	66-68
2	Basis of accounting	31	24	Employee Benefits	68-69
3	Material accounting policy information	31-44	25	Provisions	69
4	New and Amended IFRS Standards	45-48	26	Trade and other payables	70
5	New and revised IFRS Standards in issue but not yet effective	49-50	27	Contract liabilities	70
6	Significant accounting judgements, estimates and assumptions	50-52	28	Lease Liabilities (Obligation under leases)	70
7	Operating segments	52-53	29	Financial instruments	70-79
8	Geographical information	53-54	30	Contingencies	79
9	Revenue	54	31	Related Parties	79-82
10	Net finance cost	55	32	Going Concern	82
11	Profit before income tax	55-56	33	Events after the reporting date	82
12	Personnel expenses	57-58			
13	Taxation	58			
14	Deferred tax (assets) liabilities	59			
15	Property, plant and equipment and ROU assets	60-61			
16	Earnings and declared dividend per share	62			
17	Long term receivables	62			
18	Prepayments	62			
19	Inventories	63			
20	Trade and other receivables	63-64			
21	Cash and cash equivalents	64			
22	Capital and reserves	64-65			

## Notes to the financial statements

### 1 Reporting entity

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

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

### 2 Basis of accounting

#### (a) Statement of Compliance

These financial statements have been prepared 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 (Amended) Act 2023. They were authorised for issue by the Company's Board of Directors on 23rd February 2024.

#### (b) Basis of measurement

The financial statements have been prepared on historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

- 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
- Zero depreciation for Land
- Financial assets and financial liabilities measured at fair 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.

#### (d) Composition of the financial Statement

Financial statements consist of :

- (i) Statement of profit or loss and other comprehensive statement
- (ii) Statement of the financial position
- (iii) Statement of changes in equity
- (iv) Statement of cash flows

### 3 Material accounting policy information

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 material accounting policy information, the details of which are available on the pages that follow.

	<b>Page Number</b>
a) Foreign currency	32
b) Financial instruments	32
c) Fair value measurement	38
d) Property, plant and equipment	38
e) Leases	38
f) Inventories	40
g) Impairment of non-financial assets	40
h) Employee benefits	41
i) Provisions	42
j) Contingent liabilities	42
k) Statement of cash flows	42
l) Revenue	42
m) Advance payment to contractors	43
n) Finance income and finance costs	43
o) Taxes	44
p) Earnings per share	44
q) Segment reporting	44
r) Dividends	44
s) Related parties	44

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (a) Foreign currency

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira, which is the Company's functional and presentation currency, at the actual exchange rates at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange losses and gains from the settlement of these transactions, and from the translation of monetary assets and liabilities are recognised to the profit or loss, except when deferred in Other comprehensive income as qualifying cash flow hedges.

#### (b) Financial instruments

##### Recognition and initial measurement

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. The gains & losses including any interest or dividend income are recognised in the statement of profit or loss.

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 three 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.

#### 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.

#### 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).

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (b) Financial instruments (continued)

##### Classification of financial assets (continued)

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. 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 '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:

- a) To collect contractual cash flow only (i.e. interests and repayment of the principal) generated by the asset, o
- b) 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,

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (b) Financial instruments (continued)

##### 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:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- 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.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (b) Financial instruments (continued)

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

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 asset

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- 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 reporting date.

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.

## Notes to the financial statements (continued)

- 3 material accounting policy information (continued)  
(b) Financial instruments (continued)  
(v) Measurement and recognition of expected credit losses

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.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (b) Financial instruments (continued)

##### 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 that are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- 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.

###### Interest bearing 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:

- the carrying amount of the liability before the modification; and
- 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.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (c) Fair value measurement

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.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

The cost of an item of property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. All property, plant and equipment are initially stated in the statement of financial position at cost .

The cost of certain items of property, plant and equipment at 1 January 2011, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

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

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.

All property, plant and equipment are subsequently stated in the statement of financial position at historical cost less accumulated depreciation and accumulated impairment losses.

##### (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
Land	Nil

Capital work in progress not depreciated as these assets are not yet available for use.

Depreciation methods, assets' residual values 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. Assets in use after depreciation period are stated in the books at zero Net book Value.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (d) Property, plant and equipment (continued)

##### (iii) Depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

#### (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:

- 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. 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 lease asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. 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.

Any fully depreciated lease and on which contract has been terminated, is derecognised from the lease register during the year. 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'.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (f) Leases (continued)

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 expenses' in profit or loss .

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 2023.

#### (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 product to its present location and condition is based on:

Raw and packaging materials and purchased finished goods	-	purchase cost on a first- in, first - out basis including transportation and clearing costs.
Products-in-process and manufactured finished goods	-	weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.
Engineering spare	-	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.

#### (g) 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.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (h) Employee benefits

##### (I) Defined contribution plans

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

The Company has the following defined contribution plans:

##### a) Defined contribution gratuity scheme

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

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

##### b) 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 and 12.5% for management staff while employee contribute 8% and 12.5% respectively 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. PricewaterhouseCooper(PwC) Limited (FRC/2023/COY/176894) 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. Also, the FRC number of the reviewer is FRC/2013/004/0000002010.

##### 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. Short -term employee benefit obligation consist of wages, salaries, bonuses and non-monetary benefits paid to current employees.

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.

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognised in that period.

##### 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

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (h) Employee benefits (continued)

##### (v) Share-based payment transactions (continued)

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

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

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

##### (i) Provisions

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

##### (j) Contingent liabilities

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

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

##### (k) Statement of cash flows

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

##### (l) Revenue

###### Revenue from contracts with customers

###### i) 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.

###### (ii) 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.

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued) (l) Revenue (continued)

#### -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.

#### (iii) 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.

#### (m) Advance payment to contractors

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

#### (n) Finance income and finance costs

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

## Notes to the financial statements (continued)

### 3 material accounting policy information (continued)

#### (o) 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.

#### (p) Earnings per share

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

#### (q) Segment reporting

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

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

Segment results, assets and liabilities, that are reported to the BOD includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses and income tax assets and liabilities, net finance cost and amortisation of intangible assets.

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

#### (r) 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.

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

#### (s) 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.

## Notes to the financial statements (continued)

### 4 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 2023.

As it is imperative for reporting entities to consider the impact of the new standards/amendments and ensure that the financial statements include necessary disclosures required on the initial application of an IFRS/amendments and in accordance with IAS 8.28.

There are five accounting standards/amendments issued by the International Accounting Standards Board (IASB) which became effective for annual periods beginning on or after January 2023.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### (a) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements, 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 'material accounting policy information' and
- ▶ Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

#### (i) Replacement of the term 'significant' with 'material'

In the absence of a definition of the term 'significant' in IFRS, IASB 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 IASB.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and their nature.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have also been added.

#### (ii) Disclosure of standardised information

Although standardised information is less useful to users than entity-specific accounting policy information, the IASB 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 Practice Statement 2 also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

#### (iii) Disclosure of immaterial information

The amendments to IAS 1 require that if an entity decides to disclose accounting policy information that is not material, it needs to ensure that this immaterial information does not obscure material information.

#### (iv) Transition

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. Since the amendments to the Practice Statement 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.

## Notes to the financial statements (continued)

### 4 New and amended Standards effective in the current year (continued)

#### (a) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

##### (v) Impact

The amendments has no impact on the accounting policy disclosures of the company. The accounting policies adopted are consistent with those of the previous audited financial year.

#### (b) Definition of Accounting Estimates - Amendments to IAS 8

These 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.

##### (i) Changes in accounting estimates

The amendments clarify 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 IASB.

##### (ii) Transition

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.

##### (v) Impact

The amendments has no impact on the accounting estimates adopted in the preparation of these financial statements. In preparing these annual financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the previous company's financial statements.

#### (c) 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 Income Taxes, 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.

##### (i) 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.

##### (ii) 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 IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

## Notes to the financial statements (continued)

### 4 New and amended Standards effective in the current year (continued)

#### (c) Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (continued)

##### (iii) Transition

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.

##### (v) Impact

The amendments has no impact on the company's financial statements.

#### (d) International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

In May 2023, IASB issued amendments to IAS 12, which introduced a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes,' respectively.

##### (i) Disclosures

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

##### (ii) Transition

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023 but are not required for any interim period ending on or before 31 December 2023.

##### (v) Impact

The amendments has no impact on the company's financial statements.

#### (e) IFRS 17 Insurance Contracts

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and reinsurance), regardless of the issuing entities, as well as to certain guarantees and financial instruments.

##### (i) Key Requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent than IFRS 4. IFRS 17 provides a broad model for insurance contracts covering all relevant accounting areas. The core of IFRS 17 is the general model, supplemented by:

- a) Accounting for contracts with direct participation features (the variable fee approach)
- b) Accounting for short-duration contracts (premium allocation approach)

##### (ii) Transition

In terms of transition, IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

The IASB decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

**(1) Modified retrospective approach** - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

**(2) Fair value approach** - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained

## Notes to the financial statements (continued)

### 4 New and amended Standards effective in the current year (continued)

#### (d) International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 (continued)

##### (v) Impact

The amendments has no impact on the company's financial statements.

### 5 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 2024 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.

#### (a) Lease liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains

The amendment is effective for annual reporting periods beginning on or after 1 January 2024 and applies to seller lessee. A sellerlessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application).

The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16. Earlier application is permitted, and that fact must be disclosed. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's financial statements.

#### (b) 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.

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 New and revised IFRS Standards in issue but not yet effective (continued)

#### (c) Classification of Liabilities as Current or Non-current 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

#### (i) 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.

#### (ii) 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.

#### (iii) 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.

#### (iv) 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. 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.

#### (d) Lack of exchangeability – Amendments to IAS 21

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 New and revised IFRS Standards in issue but not yet effective (continued) (d) Lack of exchangeability – Amendments to IAS 21 (continued)

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

### (e) Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

### 6 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:

#### (a) 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:

#### (b) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 Significant accounting judgements, estimates and assumptions

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

#### (c) Key sources of estimation uncertainty

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 24.

#### (i) 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 2023 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.

#### (ii) 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.

#### (iii) 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 29.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 Significant accounting judgements, estimates and assumptions (continued) (c) Key sources of estimation uncertainty (continued)

#### (iv) 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.

#### (v) 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 profit or loss under interest expense.

### 7 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.

#### Segments

#### Description

#### Food

This includes the production and sale of Maggi, Cerelac, SMA, Nan, Lactogen and Golden Morn, Snacking and Biscuit.

#### 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 (continued)

### 7 Operating Segments (continued)

#### Information about reportable segment

In thousands of naira

	Food		Beverage		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
External Revenues	353,698,856	271,991,171	193,419,898	174,828,089	-	-	547,118,754	446,819,260
Interest revenue	-	-	-	-	5,690,939	4,777,113	5,690,939	4,777,113
Interest expense	-	-	-	-	(233,503,964)	(20,534,225)	(233,503,964)	(20,534,225)
Depreciation	(7,777,800)	(6,019,743)	(3,909,499)	(3,732,823)	-	-	(11,687,300)	(9,752,565)
<b>Reportable segment (loss)/profit before income tax</b>	<b>71,404,688</b>	<b>53,960,631</b>	<b>51,259,928</b>	<b>32,905,852</b>	<b>(226,690,046)</b>	<b>(15,757,112)</b>	<b>(104,025,429)</b>	<b>71,109,371</b>

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

<b>(Loss)/ profit for the year</b>	<b>2023</b>	<b>2022</b>
<b>In thousands of naira</b>		
Total profit or loss for reportable segments	123,787,597	86,866,483
Other corporate expenses and income	(227,813,026)	(15,757,112)
<b>(Loss)/ profit before income tax</b>	<b>(104,025,429)</b>	<b>71,109,371</b>

#### Other material items 2023

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

### 8 Geographical information

<b>In thousands of naira</b>	<b>2023</b>	<b>2022</b>
Nigeria	545,936,036	443,408,376
Ivory Coast	155,804	77,111
Ghana	745,694	2,735,293
Burkina Faso	281,220	598,480
<b>Total revenue from contracts with customers</b>	<b>547,118,754</b>	<b>446,819,260</b>

## Notes to the financial statements (continued)

### 8 Geographical information (continued)

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	<u>2023</u>	<u>2022</u>
Nigeria	545,936,036	443,408,375
Export	1,182,718	3,410,885
<b>Total Revenue</b>	<b><u>547,118,754</u></b>	<b><u>446,819,260</u></b>

#### 9.1 Disaggregated revenue information

Timing of revenue recognition	<b>For the year ended 31 December 2023</b>		
	<b>Food</b>	<b>Beverage</b>	<b>Total</b>
Goods transferred at a point in time	353,698,856	193,419,898	547,118,754
Total revenue	<b><u>353,698,856</u></b>	<b><u>193,419,898</u></b>	<b><u>547,118,754</u></b>

Timing of revenue recognition	<b>For the year ended 31 December 2022</b>		
	<b>Food</b>	<b>Beverage</b>	<b>Total</b>
Goods transferred at a point in time	271,991,171	174,828,089	446,819,260
Total revenue	<b><u>271,991,171</u></b>	<b><u>174,828,089</u></b>	<b><u>446,819,260</u></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

In thousands of naira	<u>2023</u>	<u>2022</u>
Trade receivables (Note 20)	4,951,820	4,087,639
Contract liabilities (Note 27)	20,063,006	16,548,425

Contract liabilities include quarter four incentives yet to be paid to customers and advances received from cash customers. The significant changes from prior was due to increase in customers' deposit and trade incentives.

#### 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 (within 7 to 14 days from delivery). Some contracts provide customers with a right of return and incentives which give rise to variable consideration subject to constraint.

## Notes to the financial statements (continued)

### 10 Net finance cost

#### Finance Income

In thousands of naira	<u>2023</u>	<u>2022</u>
Interest income on Securities and bank deposits	5,690,939	4,777,113
	<u>5,690,939</u>	<u>4,777,113</u>
<b>Finance costs</b>		
Interest expense on financial liabilities	(38,430,966)	(12,682,244)
Net exchange difference on translation of foreign currency denominated balances*	(195,072,998)	(8,454,122)
	<u>(233,503,964)</u>	<u>(21,136,366)</u>
<b>Net finance costs</b>	<u>(227,813,026)</u>	<u>(16,359,253)</u>

\*An amount of N602.141 million representing exchange difference on valuation of cash and short-term deposit in 2022 was reclassified from finance cost to administrative expenses for appropriate and consistent disclosure in 2023.

#### i) Analysis of interest expense of financial liabilities

In thousands of naira	<u>2023</u>	<u>2022</u>
interest expense-- loan	(37,803,788)	(12,183,974)
Interest expense --employee benefits	(539,627)	(475,774)
Interest expense --lease liabilities	(87,551)	(22,496)
	<u>(38,430,966)</u>	<u>(12,682,244)</u>

Included in interest expense on financial liabilities measured at amortised cost is interest expense on intercompany loan amounting to approximately N33.2 billion (2022:N11.4 billion) excluding the impact of foreign exchange differences (realized/unrealized). Interest income is from investment in short term treasury bills of 90 to 180 days.

#### ii) Analysis of foreign exchange difference

In thousands of naira	<u>2023</u>	<u>2022</u>
Realised exchange loss--loan	(21,147,751)	(513,015)
Unrealised exchange loss--loan	(173,925,247)	(7,941,107)
	<u>(195,072,998)</u>	<u>(8,454,122)</u>

#### iii) Reconciliation of foreign exchange difference reported in the cash flow statement

In thousands of naira	<u>2023</u>	<u>2022</u>
Unrealised exchange loss--loan	(173,925,247)	(7,941,107)
Unrealised exchange gain--Cash and short-term deposits	949,693	452,475
<b>Net foreign exchange difference on financing</b>	<u>(172,975,554)</u>	<u>(7,488,633)</u>
Unrealised exchange loss on trade payables	(10,114,604)	(8,077,975)
Unrealised exchange gain on inter-group receivables	758,920	62,007
<b>Net unrealised foreign exchange difference on others</b>	<u>(9,355,684)</u>	<u>(8,015,968)</u>

### 11 (Loss)/ profit before income tax

(a) (Loss)/ profit before income tax is stated after charging or (crediting):

In thousands of naira	<u>2023</u>	<u>2022</u>
Depreciation of property, plant and equipment and right-of-use assets	11,672,988	9,752,565
Auditor's remuneration	67,951	43,000
Directors' remuneration (Note 12)	888,788	560,117
Personnel expenses (Note 12)	40,816,181	34,787,521
*Net unrealised foreign exchange difference on others	9,355,684	8,015,968
Net unrealised exchange difference on financing	172,975,554	7,488,633
Expected credit loss /(write back) on treasury bills (Note 21)	30,970	(23,465)
Expected credit loss /(write back) on intercompany receivables (Note 31)	98,827	(75,086)
(Write back)/ expected credit loss on trade receivables	(613,019)	127,595
(Profit)/ loss on the derecognition of right-of-use assets	-	10,648
(Profit)/ loss on property, plant and equipment disposed	(41,862)	47,542
Gain on lease modification (Note 15f)	(194,765)	(335,438)
General licence fees	21,310,249	16,779,702

Prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results.

## Notes to the financial statements (continued)

### 11 (Loss)/profit before income tax

\* **Net exchange differences on others** relates to the unrealised exchange difference on IG trade payables, 3rd parties trade payables and realised exchange difference on payments made during the year in foreign currency.

#### (b) Reconciliation of (write back)/ impairment of financial assets reported in statement of profit or loss

	<u>2023</u>	<u>2022</u>
Expected credit loss /(write back ) on treasury bills (Note 21)	30,970	(23,465)
Expected credit loss /(write back ) on intercompany receivables (Note 31)	98,827	(75,086)
(Write back)/expected credit loss on trade receivables (Note 29)	(613,019)	127,595
	<u>(483,222)</u>	<u>29,043</u>

#### Non-audit Services

Apart from the statutory and group audit, the firm of EY also offered consultancy services to Nestle Nigeria Plc in processing its CERPAC permits, transfer price documentation and approval relating to expat quota, reporting on Internal Control Over Financial Reporting. Total amount of N61.769 million (2022:N29.540 million) was paid to EY for non-audit service in current year 2023. Breakdown of non- audit fees paid to EY during the year are as follow:

	<u>2023</u>	<u>2022</u>
Immigration Services (Processing of CERPAC Permits)	38,451	26,961
Transfer Price documentation review	3,318	2,579
Attestation of Internal Control Over Financial Reporting Report	20,000	-
	<u>61,769</u>	<u>29,540</u>

Details of other professionals providing other forms of professional services on the financial statements are as follows:

Name of the firm	FRC number of the firm	Name of the professional	FRC number of the professional	Nature of service
PwC	FRC/2023/COY/176894	Omobolanle Adekoya	FRC/2013/004/00000002010	Valuation of long service awards liability

#### (c) Expenses by nature

(Loss)/ profit before income tax is stated after charging or (crediting):

*In thousands of naira*

	<u>2023</u>	<u>2022</u>
Depreciation of property, plant and equipment and right of use asset	11,672,988	9,752,565
Auditor's remuneration	67,951	43,000
(Profit)/ loss on property, plant and equipment disposed	(41,862)	47,542
Personnel expenses	40,816,181	34,787,521
General licence fees	21,310,249	16,779,702
Raw materials, purchased finished goods and consumables	284,156,447	223,681,354
Bad debts recovered	(206,403)	(379,592)
Distribution expense	22,511,574	20,902,806
Net unrealised exchange difference on cash and short-term deposits	(807,749)	(602,141)
Advertising	14,350,526	4,613,937
Sales promotion	2,814,722	7,236,364
Factory overheads	26,810,916	23,964,524
Donations	355,568	235,789
Other expenses	3,273	18,258,222
	<u>423,814,380</u>	<u>359,321,593</u>

Other expenses\* include marketing expenses, product related overheads and trade asset related expenses.

Certain prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results.

#### Summarised as follows:

	<u>2023</u>	<u>2022</u>
Cost of sales	329,945,347	291,054,270
Marketing and distribution expenses	73,779,995	57,331,351
Administrative expenses	20,089,038	10,935,972
	<u>423,814,380</u>	<u>359,321,593</u>

## Notes to the financial statements (continued)

### 12 Personnel expenses

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Salaries, wages and allowances	21,206,304	17,721,738
Directors' remuneration	927,532	560,117
Contributions to compulsory pension fund scheme	1,937,663	1,861,925
Contributions to defined contribution gratuity scheme	2,088,368	1,772,257
Employee short term bonus	2,120,699	1,606,702
Training, recruitment and meal expenses	2,666,668	2,558,398
Insurance expenses	741,327	484,394
Transport subsidies	2,320,447	1,400,817
Housing subsidies	5,200,104	4,295,053
Medical expenses	1,238,397	788,818
Equity-settled share-based payment transactions	202,882	131,787
Other personnel expenses*	165,790	1,605,515
	<u><b>40,816,181</b></u>	<u><b>34,787,521</b></u>

Other personnel expenses \* include employee long service award, uniform subsidies and membership subscription

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:

		<u>2023</u>	<u>2022</u>
N	N	Number	Number
2500001	3000000	0	45
3000001	3500000	0	25
3500001	4000000	78	8
4000001	4500000	19	424
4500001	5000000	336	89
5000001	7000000	459	546
7000001 and	above	1483	1183
		<u><b>2,375</b></u>	<u><b>2,320</b></u>

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

	<u>2023</u>	<u>2022</u>
	Number	Number
Production	1,843	1,760
Supply chain	93	98
Sales and marketing	352	365
Administration	87	97
	<u><b>2,375</b></u>	<u><b>2,320</b></u>

### c) Directors remuneration

Remuneration paid to directors of the Company was as follows:

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Directors' Emoluments:		
Non Executive directors	102,344	42,000
Executive directors	825,188	518,117
	<u><b>927,532</b></u>	<u><b>560,117</b></u>

The directors' remuneration shown above includes:

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Chairman	52,303	13,500
Highest paid director	428,367	266,023

\*Included in the Chairman remuneration is N43 million exit allowance paid to him for his retirement from office.

## Notes to the financial statements (continued)

### c Directors remuneration (continued)

Other directors received emoluments in the following ranges:

N		N		2023		2022	
				Number		Number	
1	10700000	3	-				
10700000	11500000	-	3				
Above 11,500,000		7	5				
		<b>10</b>	<b>8</b>				

### 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:

	2023	2022
In thousands of naira		
<b>Current tax expense</b>		
Current period income tax	32,879,735	21,442,851
Current period tertiary education tax	3,910,206	2,267,966
Nigerian Police Trust Fund	-	2,350
Over provision of prior year tax	-	(3,835,719)
	<b>36,789,941</b>	<b>19,877,447</b>
<b>Deferred tax (credit)/ expense</b>		
Origination and reversal of temporary differences	(61,341,589)	2,266,436
<b>Total income tax (credit)/ expense</b>	<b>(24,551,648)</b>	<b>22,143,883</b>

#### b) Current tax liabilities

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

In thousands of naira	2023	2022
At 1 January	26,208,706	28,281,629
Charge for the year	36,789,941	19,877,447
Payments in the year	(27,888,044)	(21,950,370)
At 31 December	<b>35,110,603</b>	<b>26,208,706</b>

#### c) Reconciliation of effective tax rate

	2023	2023	2022	2022
In thousands of naira				
(Loss)/ profit for the year		(79,473,781)		48,965,488
Total income tax expense		(24,551,648)		22,143,883
(Loss)/ profit before income tax		<b>(104,025,429)</b>		<b>71,109,371</b>
Income tax using the Company's domestic tax rate	30.0%	(31,207,629)	30.0%	21,332,811
Education tax	-3.8%	3,910,206	3.2%	2,267,966
Nigerian Police Trust Fund	0.0%	-	0.0%	2,350
Non-deductible expenses*	-3.0%	3,133,366	5.2%	3,710,713
Tax exempt income	0.0%	(26,706)	-0.8%	(545,946)
Tax incentives	0.3%	(360,885)	-0.6%	(401,024)
Recognition of previously unrecognised tax items	0.0%	-	-0.3%	(220,496)
Prior year over provision of CIT	0.0%	-	-5.4%	(3,835,719)
Other tax differences	0.0%	-	-0.2%	(166,771)
	<b>23.6%</b>	<b>(24,551,648)</b>	<b>31.1%</b>	<b>22,143,883</b>

#### 14 Deferred tax (assets)/ liabilities

##### Recognised deferred tax (assets)/ liabilities

Deferred tax assets are attributable to the following:

In thousands of naira

	Assets		Liabilities		Net	
	31 Dec- 23	31 Dec- 22	31 Dec- 23	31 Dec- 22	31 Dec- 23	31 Dec- 22
Property, plant and equipment	-	-	22,178,247	19,147,830	22,178,247	19,147,830
Employee benefits	135,374	(1,395,088)	-	-	135,374	(1,395,087)
Unrealised exchange loss	(68,785,892)	(2,854,482)	-	-	(68,785,892)	(2,854,482)
Share based payment	(15,166)	(44,109)	-	-	(15,166)	(44,109)
<b>Tax (asset)/ liabilities</b>	<b>(68,665,684)</b>	<b>(4,293,679)</b>	<b>22,178,247</b>	<b>19,147,830</b>	<b>(46,487,437)</b>	<b>14,854,152</b>

	Balance 1 January 2022	Recognised in profit or loss	Recognised in other comprehensi ve income	Balance 31 December 2022	Balance 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2023
Property, plant and equipment	16,925,408	2,222,422	-	19,147,830	19,147,830	3,030,417	-	22,178,247
Employee benefits	(1,292,352)	(102,735)	-	(1,395,087)	(1,395,087)	1,530,461	-	135,374
Unrealised exchange difference	(3,009,032)	154,550	-	(2,854,482)	(2,854,482)	(65,931,410)	-	(68,785,892)
Share based payment	(36,308)	(7,801)	-	(44,109)	(44,109)	28,943	-	(15,166)
	<b>12,587,716</b>	<b>2,266,436</b>	-	<b>14,854,152</b>	<b>14,854,152</b>	<b>(61,341,589)</b>	-	<b>(46,487,437)</b>

## Notes to the financial statements

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

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

*In thousands of naira*

	Land	Building	Plant and machinery	Motor vehicles	Furniture and fittings	IT equipment	Capital work-in-progress	Total
<b>Cost</b>								
Balance at 1 January 2022	1,214,588	35,132,497	86,064,961	5,457,116	13,137,032	2,182,795	24,483,186	167,672,177
Additions	-	381,390	4,149,156	583,738	691,873	554,106	20,559,598	26,919,862
Disposals	-	-	(340,745)	(424,300)	(163,780)	(19,741)	-	(948,566)
Reclassification	-	1,417,126	8,713,842	137,350	931,376	133,469	(11,333,164)	-
Balance at 31 December 2022	1,214,588	36,931,013	98,587,214	5,753,904	14,596,501	2,850,630	33,709,620	<b>193,643,473</b>
Balance at 1 January 2023	1,214,588	36,931,013	98,587,215	5,753,903	14,596,501	2,850,630	33,709,622	193,643,473
Additions	-	833,323	4,515,042	2,264,874	501,252	341,214	51,217,340	59,673,045
Disposals	-	-	(722,011)	(556,972)	(229,487)	(33,521)	-	(1,541,992)
Reclassification	-	3,745,553	11,298,985	401,709	1,800,871	229,454	(17,476,572)	-
Balance at 31 December 2023	1,214,588	41,509,889	113,679,231	7,863,514	16,669,137	3,387,776	67,450,390	<b>251,774,525</b>
<b>Accumulated depreciation and impairment losses</b>								
Balance at 1 January 2022	-	10,915,617	43,571,914	3,022,790	9,423,595	1,774,103	-	68,708,019
Depreciation	-	965,076	5,531,548	905,079	1,273,405	343,598	-	9,018,705
Disposals	-	-	(215,986)	(424,300)	(163,010)	(19,326)	-	(822,622)
Balance at 31 December 2022	-	11,880,694	48,887,476	3,503,569	10,533,990	2,098,375	-	<b>76,904,103</b>
Balance at 1 January 2023	-	11,880,694	48,887,476	3,503,569	10,533,990	2,098,375	-	76,904,103
Depreciation	-	1,106,700	6,559,464	1,178,444	1,316,562	464,615	-	10,625,785
Disposals	-	-	(340,941)	(554,561)	(210,130)	(33,521)	-	(1,139,153)
Balance at 31 December 2023	-	12,987,393	55,105,998	4,127,453	11,640,421	2,529,469	-	<b>86,390,734</b>
<b>Carrying amounts</b>								
At 1 January 2022	1,214,588	24,216,880	42,493,046	2,434,326	3,713,437	408,691	24,483,186	<b>98,964,157</b>
At 31 December 2022	1,214,588	25,050,319	49,699,739	2,250,336	4,062,512	752,256	33,709,619	<b>116,739,370</b>
At 31 December 2023	1,214,588	28,522,496	58,573,233	3,736,061	5,028,716	858,307	67,450,390	<b>165,383,791</b>

(i) The gross carrying amount of the fully depreciated property, plant and equipment that is still in use by the Company as at reporting date is N21.832 billion.

(ii) As at 31 December 2023, no item of property, plant and equipment was pledged as security for liabilities (2022: Nil).

(iii) There is no impairment of fixed assets recognized during the year 2023.

(iv) The capital work-in-progress of N67.4 billion (2022: N33.7 million) represents buildings and plant and machinery under construction and other property, plant and equipment not available for use in the manner intended by management.

## Notes to the financial statements

15 (b) Right-of-use assets	Land	Building	Total
The reconciliation of the carrying amount is as follows: In thousands of naira			
<b>Cost</b>			
<b>At 1st January 2022</b>	4,133,280	1,423,585	5,556,865
Additions	-	803,804	803,804
Modification	-	923,203	923,203
Derecognition	-	(798,723)	(798,723)
<b>Balance at 31st December 2022</b>	<b>4,133,280</b>	<b>2,351,869</b>	<b>6,485,148</b>
<b>At 1st January 2023</b>	4,133,280	2,351,869	6,485,148
Additions	-	1,574,912	1,574,912
Modification	-	(66,365)	(66,365)
Derecognition	-	(453,171)	(453,171)
<b>Balance at 31st December 2023</b>	<b>4,133,280</b>	<b>3,407,245</b>	<b>7,540,524</b>
<b>Accumulated depreciation and impairment losses</b>			
At 1st January 2022	275,627	432,506	708,133
Depreciation	70,460	663,400	733,860
Modification	-	854,810	854,810
Derecognition	-	(788,075)	(788,075)
<b>Balance at 31st December 2022</b>	<b>346,087</b>	<b>1,162,641</b>	<b>1,508,728</b>
<b>At 1st January 2023</b>	346,087	1,162,641	1,508,728
Depreciation	70,460	976,743	1,047,203
Modification	-	511	511
Derecognition	-	(453,171)	(453,171)
<b>Balance at 31st December 2023</b>	<b>416,547</b>	<b>1,686,724</b>	<b>2,103,271</b>
<b>Carrying amounts:</b>			
<b>At 31 January 2022</b>	<b>3,857,653</b>	<b>991,079</b>	<b>4,848,732</b>
<b>At 31 December 2022</b>	<b>3,787,193</b>	<b>1,189,228</b>	<b>4,976,420</b>
<b>At 31 December 2023</b>	<b>3,716,733</b>	<b>1,720,521</b>	<b>5,437,253</b>

As at 31 December 2023, no item of right-of-use assets was pledged as security for liabilities (2022: Nil).

15 (c) Contractual commitments with respect to property, plant and equipment contracted for at the reporting date but not recognised in the financial statements:		
	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Approved and contracted	5,463,310	20,475,000
Approved but not contracted	-	123,800
	<u>5,463,310</u>	<u>20,598,800</u>
15 (d) Reconciliation of Profit or loss on the disposal of property, plant and equipment		
	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Proceed from the disposal	444,701	78,402
Carry amount of plant, property & equipment disposed	(402,839)	(125,944)
Profit/ (loss) on disposal	<u>41,862</u>	<u>(47,542)</u>
15 (e) Analysis of depreciation of property, plant and equipment		
	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Depreciation of property, plant and equipment	10,625,785	9,018,705
Depreciation of right-of-use assets	1,047,203	733,860
	<u>11,672,988</u>	<u>9,752,565</u>
15 (f) Reconciliation of profit or loss on the modification of right-of-use assets and lease liabilities		
	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Modification of right-of-use asset during the year	66,365	(923,203)
Depreciation of the right-of-use asset modified	511	854,810
Modification of lease obligation	137,550	(267,045)
	<u>204,426</u>	<u>(335,438)</u>

## Notes to the financial statements

### 16 (Loss)/earnings and declared dividend per share

a) **Basic (loss)/earnings and declared dividend per share** are based on ( loss)/profit attributable to the owners of the Company for the year of (N79,473,781) (2022: N 48,965,488') and declared dividend of Nil (2022: N40.03 million) respectively and on 792,656,252 (2022: 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.

<b>In thousands of naira</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
(Loss)/ profit for the year attributable to shareholders		<u>(79,473,781)</u>	<u>48,965,488</u>
		<b>Number ('000)</b>	<b>Number ('000)</b>
Weighted average number of ordinary shares as at 31 December		<u>792,656</u>	<u>792,656</u>
Basic (loss)/ earnings (Naira)		<u>(100.26)</u>	<u>61.77</u>
Diluted (loss)/ earnings (Naira)		<u>(100.26)</u>	<u>61.77</u>

b) Diluted (loss)/ earnings per share of -N100.26 (2022: N61.77) is based on the (loss)/ profit attributable to ordinary shareholders of (N79,473,781) (2022: N48,965,488), and on the 792,656,252 (2022: 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 potential ordinary shares is Nil (2022: Nil).

### 17 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>In thousands of naira</b>	<b>2023</b>	<b>2022</b>
Long term staff receivable *	2,692,073	2,390,905
Amount receivable from customers on account of trade assets deployed **	<u>430,501</u>	<u>425,432</u>
	<u><b>3,122,574</b></u>	<u><b>2,816,337</b></u>

\* Long term staff receivables include vehicle loan, housing loan and compersionate loan given to the employees with repayment period of five (5) years and eighteen (18) months respectively. The loans are secured with the employee benefits.

\*\*Amount receivable from customers includes customer contribution on trade vehicle infrastructure receivable in four quarterly instalments after deployment.

### 18 Prepayments

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

Prepayment comprises:

<b>In thousands of naira</b>	<b>2023</b>	<b>2022</b>
Rent prepaid*	489,395	282,226
Insurance prepaid	2,376,292	1,417,288
Other prepayment**	<u>662,013</u>	<u>229,523</u>
	<u><b>3,527,700</b></u>	<u><b>1,929,038</b></u>

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

	<b>2023</b>	<b>2022</b>
Current Asset	3,430,134	1,929,038
Non-current Asset	<u>97,566</u>	<u>-</u>
	<u><b>3,527,700</b></u>	<u><b>1,929,038</b></u>

\*Rent prepaid relates to short-term rent in respect of staff apartments.

\*\*Other prepayment includes prepaid fuel cards, electricity credit units and Microsoft licence fee which will be expensed within the next financial year.

## Notes to the financial statements

### 19 Inventories

	<u>2023</u>	<u>2022</u>
<b>(a) Inventories</b>		
<b>In thousands of naira</b>		
Raw and packaging materials	38,235,636	50,093,925
Product in process	2,737,059	2,710,068
Finished products	21,178,655	21,317,683
Engineering spares	12,277,378	8,249,342
Goods in transit	13,363,832	5,969,514
	<u><b>87,792,561</b></u>	<u><b>88,340,532</b></u>
<b>(b) Write-down of inventory to net realisable value</b>		
<b>In thousands of naira</b>		
Technical spare parts	4,259,600	3,060,644
Raw materials	51,310	177,466
Finished goods	95,427	-
	<u><b>4,406,338</b></u>	<u><b>3,238,111</b></u>
<b>Movement in write-down of inventory</b>		
At 1 January	3,238,111	-
Charge during the year	1,168,227	3,238,111
<b>At 31 December</b>	<u><b>4,406,338</b></u>	<u><b>3,238,111</b></u>
<b>(c) Right of return assets and refund liabilities</b>		
<b>In thousands of naira</b>		
Right to returned goods asset	<u>60,714</u>	<u>72,879</u>
<b>Refund liabilities</b>		
Arising from rights of return	<u>99,931</u>	<u>112,333</u>

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.

### 20 Trade and other receivables

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Trade receivables	9,251,627	9,000,465
Loans to key management personnel	24,993	10,910
Staff loans	3,142,448	2,977,722
Trade receivables due from related parties (Note 31 (e) (ii))	2,846,337	1,383,988
Deposit with Company registrars for dividend (Note 22(b)(ii))	1,800,010	2,537,334
Allowance for expected credit losses (Note 29)	(4,299,807)	(4,912,826)
Expected credit loss on intercompany (Note 31)	(149,647)	(50,820)
<b>Loans and receivables</b>	<u><b>12,615,961</b></u>	<u><b>10,946,772</b></u>
Advance payment to suppliers*	81,647,212	55,541,577
Deposit for import	3,707,313	12,902,762
Other receivables**	7,379,458	5,662,251
	<u><b>105,349,944</b></u>	<u><b>85,053,363</b></u>
Non-current - reclassified to long term receivables	3,122,574	2,816,337
Current	102,227,370	82,237,026
	<u><b>105,349,944</b></u>	<u><b>85,053,363</b></u>

\*Advance to suppliers represents payments made to local suppliers in respect of raw and packaging materials while deposit for import is for imported items of plant and machineries, raw and packaging materials which are expected to be delivered before the end of second quarter, 2024.

\*\*Included in other receivables are input taxes and vehicle infrastructural support to customers.

## Notes to the financial statements

### 20 Trade and other receivables (continued)

#### Trade receivables

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Receivables from third-party customers	9,251,627	9,000,465
Allowance for expected credit losses (Note 29)	<u>(4,299,807)</u>	<u>(4,912,826)</u>
	<u><b>4,951,820</b></u>	<u><b>4,087,639</b></u>

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in Note 29. For terms and conditions relating to related party receivables, refer to Note 31

### 21 Cash and short-term deposits

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Cash in Hand	38,770	7,969
Cash at Bank	25,171,308	17,168,615
Treasury Bills	142,522,557	100,053,345
Time Deposits	<u>82,616</u>	<u>751,776</u>
<b>Cash and cash equivalents in the statement of cash flows</b>	167,815,251	117,981,705
Allowance for expected credit losses:		
Short term Investments	<u>(80,244)</u>	<u>(49,275)</u>
<b>Cash and short-term deposit in the statement of financial posit</b>	<u><b>167,735,007</b></u>	<u><b>117,932,430</b></u>
	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Analysis of ECL</b>		
<b>In thousands of naira</b>		
Opening Balance	49,275	72,740
Charge/ (write back)	<u>30,970</u>	<u>(23,465)</u>
<b>Closing Balance</b>	<u><b>80,244</b></u>	<u><b>49,275</b></u>

Cash and cash equivalents included restricted cash of N7.755bn (2022: N7.582bn) on unclaimed dividend which was returned to the Company by the Registrar held in a separate bank account and has been invested in treasury bills in line with SEC rules on dividend investment.

### 22 Capital and reserves

#### (a) (i) Ordinary shares

##### Issued and fully paid ordinary shares of 50k each

	<u>2023</u>	<u>2022</u>
In number of shares	<u>792,656,252</u>	<u>792,656,252</u>
Nominal value (In thousands of naira)	<u>396,328</u>	<u>396,328</u>

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

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of Naira</b>		
Share premium	<u>32,262</u>	<u>32,262</u>

The share premiums represent excess amount received over and above the per value of the shares. It forms part of non-distributable reserves of the company which can be used only for the purposes specified under Companied and Allied Matter Act, 2020.

## Notes to the financial statements

### 22 Capital and reserves (Continued)

#### (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.

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 2021	3,194	3 years' service
Shares awarded to key management on 1 March 2022	2,589	3 years' service
Shares awarded to key management on 1 March 2023	3,088	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 performance stock units granted in 2023 is N339,851,315 (2022: N373,987,989).

Total share based payment expense recognised in the profit or loss for the year amounted to N202,882,005 (2022: N131,787,000). 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.

#### Movement in Share based payment during the year

The movement in share based payment is as follows:

	2023	2022
<b>In thousands of naira</b>		
<b>At 1 January</b>	90,127	113,459
Share based payment contribution	202,882	131,787
Share based payment recharge	(123,528)	(155,119)
<b>At 31 December</b>	<b>169,481</b>	<b>90,127</b>

#### b Dividend

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

	2023		2022	
	Per Share (N)	N'000	Per Share (N)	N'000
Final dividend	36.50	28,931,953	25.50	20,212,734
Interim dividend	-	-	25.00	19,816,406
	<b>36.50</b>	<b>28,931,953</b>	<b>50.50</b>	<b>40,029,140</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.

#### (ii) Movement in dividend payable

	2023	2022
<b>In thousands of naira</b>		
At 1 January	10,119,609	9,401,674
Dividend transferred from retained earning during the year	28,931,953	40,029,141
Group dividend transferred to inter group payables	(15,726,014)	(25,284,617)
Payments during the year	(13,769,740)	(14,026,589)
At 31 December	<b>9,555,808</b>	<b>10,119,609</b>

As at 31 December 2023, N1.80 billion (2022: N2.54billion) of the total dividend payable is held with the Company's registrar, Greenwich Registrars & Data Solutions Limited. The balance of N7.755 billion represents unclaimed dividend (2022: N7.582 billion) which was returned to the Company by the Registrar and has been invested in treasury bills.

## Notes to the financial statements

### 23 Interest bearing loans and borrowing

- (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 29.

Reconciliation between opening and closing balances of the loan and borrowings is shown below:

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
<b>At 1 January</b>	155,300,068	76,864,802
Addition -- intercompany loan	58,166,740	51,567,250
Addition -- bank loan	90,159,897	50,436,242
Repayment -- bank loan	(74,355,075)	(42,911,281)
Interest expense	37,803,788	12,183,974
Interest paid	(38,681,098)	(782,027)
Unrealised exchange loss (Note 10)	173,925,247	7,941,107
<b>At 31 December</b>	<b><u>402,319,567</u></b>	<b><u>155,300,068</u></b>

163

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Current liabilities	37,192,043	8,293,512
Non-current liabilities	365,127,523	147,006,556
	<b><u>402,319,567</u></b>	<b><u>155,300,068</u></b>

## Notes to the financial statements

### 23 Interest bearing loans and borrowing (continued)

#### (b) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

2023					
	Notes	Nominal interest rate	Year of maturity	USD	NGN
<b>In thousands</b>					
Loan from related party	(i)	SOFR + 11.34%	2027	112,053	101,644,397
Loan from related party	(ii)	SOFR + 7.47%	2027	108,815	98,707,175
Loan from related party	(iii)	SOFR + 12.11%	2028	60,165	54,576,273
Loan from related party	(iv)	SOFR + 9.91%	2029	57,037	51,738,833
Loan from related party	(v)	SOFR + 9.95%	2030	64,447	58,460,846
Import trade obligations	(vi)	SOFR + 9.00%	2023	41,001	37,192,043
				443,518	402,319,567

2022					
	Notes	Nominal interest rate	Year of maturity	USD	NGN
<b>In thousands</b>					
Loan from related party	(i)	SOFR + 11.34%	2027	126,914	58,570,728
Loan from related party	(ii)	SOFR + 7.47%	2027	110,550	51,018,981
Loan from related party	(iii)	SOFR + 12.11%	2028	51,473	23,754,913
Loan from related party	(iv)	SOFR + 9.91%	2029	29,603	13,661,934
Import trade obligations	(vi)	SOFR + 6.00%	2023	17,972	8,293,512
				336,512	155,300,068

## Notes to the financial statements

### Terms and debt repayment schedule (continued)

- (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 31st December 2023. 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 SOFR plus a margin of 1134 basis points.
- (ii) An additional US\$ 100 million was approved for the Company by Nestle S.A. in September 2020 of which US\$100 million was drawn down as at 31st December 2023. 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 SOFR plus a margin of 747 basis points.
- (iii) An additional US\$ 50 million was approved for the Company by Nestle S.A. in May 2021 of which US\$ 50 million was drawn down as at 31st December 2023. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from May 2021. The facility which is unsecured attracts interest at 3 months USD SOFR plus a margin of 1211 basis points.
- (iv) An additional US\$ 50 million was approved for the Company by Nestle S.A. in Dec 2022 of which US\$ 50 million was drawn down as at 31st December, 2023. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from December 2022. The facility which is unsecured attracts interest at 3 months USD SOFR plus a margin of 991 basis points.
- (v) An additional US\$ 80 million was approved for the Company by Nestle S.A. in Mar 2023 of which US\$ 62.25 million was drawn down as at 31st December, 2023. The loan has tenor of 7 years (inclusive of moratorium period of 2 years on interests payment only) commencing from Mar 2023. The facility which is unsecured attracts interest at 3 months USD SOFR plus a margin of 995 basis points.
- (vi) Import trade obligations for Letters of Credit raised under the Import Finance Facilities from our banks in 2023 stood at NGN 39billion as at 31st December 2023. The obligations have a tenor between 90 days and 120 days at SOFR+ 9% interest rate.

### 24 Employee Benefits

Other long term employee benefits

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

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of Naira</b>		
<b>Balance at 1 January</b>	4,359,648	4,038,600
Net service cost for the year*	542,241	518,475
Interest expense for the year	539,627	475,774
Re-measurement gain - discount rate*	(453,921)	(398,363)
Re-measurement (gain)/ loss - financial assumption*	(208,629)	568,084
Re-measurement gain - demographic assumption*	(157,847)	(327,016)
Re-measurement gain experience*	(101,819)	(11,341)
Payments during the year	(474,969)	(504,565)
<b>Balance 31 December</b>	<u><b>4,044,331</b></u>	<u><b>4,359,648</b></u>

\*Actuarial gain was included in net service cost in the year ended 31 December 2022, this has been presented as a separate line item in 2023 to align with current year disclosure.

### 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.

	<u>2023</u>	<u>2022</u>
Long term average discount rate (p.a.)	16.5%	14.5%
Average pay Increase (p.a.)	14.5%	14.5%
Benefit awards inflation (p.a.)	15.0%	21.0%

## Notes to the financial statements

### 24 Employee Benefits (continued)

#### 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	
	2023	2022
25	7	7
30	6	6
35	8	8
40	14	14
45	26	26

#### Withdrawal from Service

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

#### Age Band

Age Band	Rate	
	2023	2022
Less than or equal to 30	7.0%	5.1%
31-34	6.8%	4.5%
35 – 39	7.0%	5.1%
40 – 54	4.0%	5.3%
55 – 59	29.7%	10.6%

#### 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 2023

Effect in thousands of Naira	Employee benefit obligation	
	Increase	Decrease
Benefit awards inflation (1% movement)	64,921	(163,757)
Discount Rate (1% movement)	160,898	203,682
Future salary growth (1% movement)	148,689	(457,611)
Mortality Experience (1 year movement)	254,106	135,878

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

In thousands of Naira	2023	2022
Within the next 12 months (next annual reporting period)		
Between 2 and 5 years	550,191	420,969
Beyond 5 years	2,206,669	1,989,411
Total expected payments	8,489,094	3,882,401
	<b>11,245,954</b>	<b>6,292,781</b>

### 25 Provisions

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

In thousands of naira	2023	2022
Balance at 1 January	1,026,008	2,701,498
Reversals made during the year	-	(1,588,341)
Provisions used during the year	(312,797)	(87,149)
Balance at 31 December	<b>713,211</b>	<b>1,026,008</b>
<b>Current</b>	<b>713,211</b>	<b>1,026,008</b>

## Notes to the financial statements

### 26 Trade and other payables

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Trade payables	35,620,775	36,622,733
Other payables and accruals*	32,417,384	19,775,025
Trade and dividend payables due to related parties (Note 31 (e)(i))	119,685,625	99,644,494
Dividend payable to local shareholders (Note 22 (b) (ii))	9,555,808	10,119,609
	<u><b>197,279,592</b></u>	<u><b>166,161,861</b></u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29. Included in other payables and accruals are output taxes and other unpaid invoices under general procurement agreement. Also Included in trade payables and intercompany payables is an amount due to related parties of N52.875 billion dividend payable to Nestle SPN Switzerland. This has been accounted for in inter group payables (Note 31 (e)(i)).

### 27 Contract liabilities

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Customer's down payment	11,893,376	10,828,421
Trade incentives	8,169,630	5,720,004
	<u><b>20,063,006</b></u>	<u><b>16,548,425</b></u>

#### a) Customer's down payment movements

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Balance at 1 January	10,828,421	9,615,059
Customer's down payment during the year	214,441,269	224,622,992
Revenue recognised during the year	(213,376,314)	(223,409,630)
<b>Balance at 31 December</b>	<u><b>11,893,376</b></u>	<u><b>10,828,421</b></u>

#### b) Trade Incentives movement

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
Balance at 1 January	5,720,004	5,837,296
Charge during the year	24,620,344	21,447,324
Payment	(22,170,718)	(21,564,616)
<b>Balance at 31 December</b>	<u><b>8,169,630</b></u>	<u><b>5,720,004</b></u>

### 28 Lease liabilities (Obligation under leases)

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
<b>At 1st January</b>	181,607	467,956
Additions	-	-
Modification	137,550	(267,045)
Interest expense	87,551	22,496
Payments	(227,385)	(41,800)
<b>At 31st December</b>	<u><b>179,323</b></u>	<u><b>181,607</b></u>

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

	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>		
0-1 years	179,323	53,717
1-5years	-	127,889
	<u><b>179,323</b></u>	<u><b>181,607</b></u>

## Notes to the financial statements

### 29 Financial instruments Financial Risk Management

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

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

#### 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.

#### (I) 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.

## Notes to the financial statements

### 29 Financial instruments (continued)

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:

	Notes	<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>			
Loan and receivables		17,065,415	15,910,419
Cash and short-term deposits		167,815,251	117,981,705
		<u><b>184,880,666</b></u>	<u><b>133,892,123</b></u>

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

	Notes	Carrying amount	
		<u>2023</u>	<u>2022</u>
<b>In thousands of naira</b>			
Distributors		9,251,627	9,000,465
Related parties		2,846,337	1,383,988
Loans to key management personnel		24,993	10,910
Staff loans and advances		3,142,448	2,977,722
Dividend with the company registrar		1,800,010	2,537,334
		<u><b>17,065,415</b></u>	<u><b>15,910,419</b></u>

The Company's most significant customer, accounts for N458.9million (2022: N456.4 million) of the trade and other receivables carrying amount at 31 December 2023.

## Notes to the financial statements

### 29 Financial instruments (continued)

#### 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 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 2023 using a provision matrix:

#### 31 December 2023

In thousands of naira	Trade receivables						Total
	Current	1-30 days	30 -60 days	61 - 90 days	91 - 120 days	>120 days	
Expected credit loss rate	1.8%	12.4%	31.7%	61.7%	82.1%	100.0%	
Estimated total gross carrying amount at default	4,861,245	145,444	6,290	19,123	209,243	4,010,281	9,251,627
<b>Expected credit loss</b>	(85,967)	(17,983)	(1,994)	(11,800)	(171,781)	(4,010,281)	<b>(4,299,807)</b>
	<b>4,775,279</b>	<b>127,461</b>	<b>4,296</b>	<b>7,323</b>	<b>37,462</b>	<b>-</b>	<b>4,951,820</b>

#### 31 December 2022

In thousands of naira	Trade receivables						Total
	Current	1-30 days	30 -60 days	61 - 90 days	91 - 120 days	>120 days	
Expected credit loss rate	0.3%	1.4%	20.6%	34.6%	55.4%	99.7%	
Estimated total gross carrying amount at	3,620,068	395,121	18,342	86,600	2,296	4,878,038	9,000,465
<b>Expected credit loss</b>	(10,796)	(5,525)	(3,773)	(30,002)	(1,271)	(4,861,459)	<b>(4,912,826)</b>
	<b>3,609,272</b>	<b>389,596</b>	<b>14,569</b>	<b>56,598</b>	<b>1,025</b>	<b>16,579</b>	<b>4,087,639</b>

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

	2023	2022
<b>In thousands of naira</b>		
<b>As at 1 January 2023</b>	4,912,826	5,164,823
(Write-back)/ charge for the year	(613,019)	127,595
Recovered	-	(379,592)
<b>Balance at 31 December</b>	<u>4,299,807</u>	<u>4,912,826</u>

The impairment loss as at 31 December 2022 relates to customers with potential risk of not being 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. There are no write offs during the year. 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.

## Notes to the financial statements

### 29 Financial instruments (continued)

#### (II) 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 2023

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Unsecured bank loans	37,192,043	40,539,327	(18,242,697)	(22,296,630)	-	-	-
Unsecured intercompany loans	365,127,523	383,111,999	-	-	-	(169,743,204)	(213,368,794)
Trade and other payables	197,279,592	199,342,518	(199,342,518)	-	-	-	-
	<b>599,599,158</b>	<b>622,993,844</b>	<b>(217,585,215)</b>	<b>(22,296,630)</b>	<b>-</b>	<b>(169,743,204)</b>	<b>(213,368,794)</b>

#### 31 December 2022

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Unsecured bank loans	8,293,512	9,039,928	(4,067,968)	(4,971,960)	-	-	-
Unsecured intercompany loans	147,006,556	147,006,556	-	-	-	-	147,006,556
Trade and other payables	166,161,861	166,161,861	(166,161,861)	-	-	-	-
	<b>321,461,929</b>	<b>322,208,345</b>	<b>(170,229,829)</b>	<b>(4,971,960)</b>	<b>-</b>	<b>-</b>	<b>147,006,556</b>

#### (III) 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.

## Notes to the financial statements

### Financial instruments (continued)

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 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
- SGD Singaporean Dollar
- CHF Swiss Franc

Amounts in thousands	As at December 2023				
	Euro	USD	CHF	SGD	GBP
Intergroup Loan		(402,517)	-	-	-
Intergroup Receivable	1,182	1,790	7	-	-
Intergroup payable	(8,234)	(38,633)	(3,477)	(31)	(6)
3P payables	(16,300)	(11,321)	(108)	-	(1)
<b>Net exposure</b>	<b>(23,351)</b>	<b>(450,682)</b>	<b>(3,578)</b>	<b>(31)</b>	<b>(8)</b>

Amounts in thousands	As at December 2022				
	Euro	USD	CHF	SGD	GBP
Intergroup Loan		(318,541)	-	-	-
Intergroup Receivable	1,093	2,203	-	-	-
Intergroup payable	(9,638)	(98,551)	(3,637)	(30)	(4)
3P payables	(25,568)	(10,985)	-	-	(118)
<b>Net exposure</b>	<b>(34,113)</b>	<b>(425,873)</b>	<b>(3,637)</b>	<b>(30)</b>	<b>(122)</b>

## Notes to the financial statements

### 29 Financial instruments (continued)

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

	Year end closing rate	
	2023	2022
<b>Euro</b>	<b>1,003.10</b>	<b>487.70</b>
<b>USD</b>	<b>907.11</b>	<b>461.50</b>

#### Sensitivity analysis

A weakening 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 2023, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Effect in thousands of Naira	On equity	In profit or loss
<b>31 December. 2023</b>		
Euro (10 percent weakening of Naira)	(2,342,353)	(2,342,353)
USD (10 percent weakening of Naira)	(40,881,822)	(40,881,822)
<b>31 December. 2022</b>		
Euro (10 percent weakening of Naira)	(2,091,533)	(2,091,533)
USD (10 percent weakening of Naira)	(24,402,586)	(24,402,586)

#### 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:

In thousands of Naira	Carrying Amount	
	2023	2022
<b>Fixed rate instruments</b>		
*Financial assets (Treasury bills) (Note 21)	142,522,557	100,004,071
**Financial liabilities	-	-
	<u>142,442,313</u>	<u>100,004,071</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
**Financial liabilities (Note 23a)	402,319,567	155,300,068
	<u>402,319,567</u>	<u>155,300,068</u>

\*Financial assets includes treasury bills and expected credit loss.

\*\*Financial liabilities include intercompany loan together with the accrued interest over the years of the loan.

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.

## Notes to the financial statements

### 29 Financial instruments (continued)

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 2023.

	Profit or loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
<b>31 December 2023</b>				
Variable rate instruments	(4,023,196)	4,023,196	(4,023,196)	4,023,196
Cash flow sensitivity (net)	(4,023,196)	4,023,196	(4,023,196)	4,023,196
<b>31 December 2022</b>				
Variable rate instruments	(1,553,001)	1,553,001	(1,553,001)	1,553,001
Cash flow sensitivity (net)	(1,553,001)	1,553,001	(1,553,001)	1,553,001

#### (IV) Operational risk

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

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

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

- requirements for the appropriate segregation of duties, including the 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.

#### 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.

## Notes to the financial statements

### 29 Financial instruments (continued)

#### (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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long term receivables	3,122,574	3,122,574	2,816,337	2,816,337
Loans and receivables*	9,475,205	9,475,205	8,130,436	8,130,436
Cash and short term deposits	167,735,007	167,735,007	117,932,430	117,932,430
	<b>180,332,786</b>	<b>180,332,786</b>	<b>128,879,203</b>	<b>128,879,203</b>

**Loans and receivables\*** includes trade receivables, allowances for expected credit loss, loans to staff and deposit for dividends with the Company registrars.

#### Financial liabilities measured at amortized cost

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Unsecured intercompany loan	365,127,523	365,127,523	147,006,556	147,006,556
Secured bank loans	37,192,043	37,192,043	8,293,512	8,293,512
Trade and other payables	197,279,592	197,279,592	166,161,861	166,161,861
	<b>599,599,158</b>	<b>599,599,158</b>	<b>321,461,929</b>	<b>321,461,929</b>

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.

## Notes to the financial statements

### 29 Financial instruments (continued)

#### 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	2023	2022
Total liabilities	659,809,563	384,752,807
Cash and cash equivalents	(167,735,007)	(117,932,430)
<b>Net Debt</b>	<b>492,074,556</b>	<b>266,820,377</b>
Total Equity	(86,499,544)	30,291,224
<b>Total Debt and Equity</b>	<b>405,575,012</b>	<b>297,111,601</b>
<b>Debt to capital ratio at December 31</b>	<b>1.2:1</b>	<b>0.9:1</b>

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.

### 30 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 as at 31 December 2023 amounted to N663.2 (2022: N708.5 million). While the contingent assets in respect of pending litigations for the year ended 31 December 2023 amounted to N18.4 million (2022: N443.3 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 2023 was N18.97 billion (2022: N14.7 billion). In 2023, the total value of the Bill held for collection is N353.8 million (2022: N302.1 million). The total worth of loan facilities offered amounted to N58.9 billion (2022: N32.2 billion). The Company also obtained bank guarantees with a value of N509.4 million (2022: N509.4 million).

### 31 Related Parties

#### a) Parent and ultimate controlling party

As at the year ended 31 December 2023, Nestlé Switzerland (Société Des Products), the ultimate holding Company owned 66.18% (2021: 66.18%) 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 Société 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 1 January 2021. The technical fee recognised in the current year was N21.3 billion (2022: 16.78 billion). See Note 11a and 11b.

## Notes to the financial statements

### 31 Related Parties (continued)

#### 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 5% 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 Switzerland (Société Des Products), incorporated in Switzerland.

#### c) Transactions with key management personnel

##### Loan to key management personnel

New loan of N13.6 million was granted to key management personnel during the year ended 31 December 2023 (2022: Nil). The loan are non-interest bearing facilities and are repayable in full over the agreed repayment period which could be short or long term. At 31 December 2023, the balance outstanding was N25.0 million (2022: N10.9 million) and is included in trade and other receivables. (See note 20)

#### 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:

<b>In thousands of naira</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	199,281	176,355
Contribution to compulsory pension fund scheme	24,593	21,573
Defined contribution gratuity scheme	30,204	26,402
Share based payments	155,119	155,119
	<u>409,197</u>	<u>379,449</u>

#### 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 outstanding balances the related parties accounts in foreign currencies were revalued at the closing exchange rate at 31 December 2023.

## Notes to the financial statements

### Related parties (continued)

The aggregate value of transactions and outstanding balances relating to these entities were as follows;

#### (i) Intercompany payables

In thousands of naira	Nature of transaction	Transaction value Year ended 31 December		Balance outstanding as of 31 December	
		2023	2022	2023	2022
<b>Related Parties</b>					
Nestlé Ghana Limited	Finished goods	6,193,537	2,205,160	5,059,568	925,016
Nestlé World Trade Corporation	PPE/ Services	166,012	5,084,398	97,228	15,901,437
Nestlé Netherlands	Finished goods	121,629	27,258	284,237	235,655
Nestlé Australia Ltd.	IT/IS	4,010,555	2,061,940	2,723,852	2,411,180
Nestlé Cote D'Ivoire	Finished goods	5,791,388	5,037,992	6,743,012	3,717,566
Globe Centre AOA	IT/IS	23,895	31,696	100,324	25,109
Nestlé Portugal, S.A.	Finished goods	192,941	203,785	272,578	234,206
Nestlé R&D Center (Pte) Ltd	Product development	157,062	114,028	286,665	26,341
Nestlé Singapore (Pte) Ltd	Finished goods	181,017	126,557	226,549	128,817
Nestlé Suisse S.A.	Raw materials	13,486	9,983	217,280	82,170
Nestlé Cameroun	Spare parts	23,035	4,752	64,748	88,424
Nestlé France Limited	Finished goods	1,872	7,218	839,179	375,296
Societe Des Produits Nestlé S.A	General Lincense Fee/Dividend	41,739	13,833,525	70,058,077	47,431,290
Nestlé Central and West Africa	Management fee	10,234,877	6,998,177	12,385,449	14,502,572
Wyeth Nutritional Singapore	Finished Goods	5,230,268	5,077,579	2,963,486	2,098,253
Nestlé S.A.	Services (Dividend Payable)	123,528	155,119	2,483,155	903,483
Nestlé Mexico, S.A. De C.V.	Finished Goods	16,507,264	12,493,763	13,736,714	9,092,222
Others		2,699,223	3,354,906	1,143,524	1,465,455
		51,713,330	56,827,835	119,685,625	99,644,494

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;

#### (ii) Intercompany receivables

##### In thousands of naira

Nature of transaction	Transaction value Year ended 31 December		Balance outstanding as at 31 December		
	2023	2022	2023	2022	
<b>Related Parties</b>					
Nestlé Burkina	Finished goods and Services	254,891	918,477	389,400	258,323
Nestlé Central And West Africa Ltd	Finished goods and Services	1,698,325	57,035	251,612	-
Nestlé Ghana Limited	Finished goods and Services	1,152,478	3,249,700	982,753	770,653
Nestlé Cote D'Ivoire	Finished goods and Services	214,886	97,718	191,843	51,466
Nestlé Angola Lda	Finished goods and Services	6,974	10,851	22,148	7,917
Nestlé Senegal	Finished goods and Services	6,690	-	1,458	-
Nestlé Cameroun	Finished goods and Services	365,870	190,307	980,449	203,012
Nestlé Middle East	Services	-	10,192	-	10,438
Nestec S.A.	Services	6,492	-	2,010	-
Others	Finished goods and Services	75,058	1,705,603	24,664	82,179
Gross Balance		3,781,665	6,239,883	2,846,337	1,383,988
Expected Credit Loss				(149,647.0)	(50,820)
Net Balance		3,781,665	6,239,883	2,696,690	1,333,168

#### Movement in expected credit loss

##### In thousands of naira

	2023	2022
Opening Balance	50,820	125,906
(Write back)/ charge for the year	98,827	(75,086)
<b>Closing Balance</b>	<b>149,647</b>	<b>50,820</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.

## Notes to the financial statements

### 31 Related parties (continued)

#### (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, 2014.

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

### 32 Going Concern

The Company made a net loss of N79 billion (2022: net profit N49 billion) for the year ended 31 December 2023 and as at that date, its total liabilities exceeded its total assets by N78 billion (2022: net asset N30 billion).

In 2023, the company's revenue grew by 22.4%, an increase of ₦100 billion and the operating profit increased by 41.2%. The net cashflow of the company remained positive at ₦49 billion. Further, the company invested ₦61 billion in the expansion of its lines at the three factories located in Agbara, Sagamu and Abaji. We also invested in the enhancement of our distribution center (DC) operations at Sagamu, Ogun State.

The company launched 5 new products and ventured into affordable plant-based nutrition through NIDO Soya. Other promissory new products that were introduced to the Nigerian customers are Maggi Soya Chunks, Milo 3-in-1, Cerelac Bag-n-Box, Milo Enersnakz and NIDO Soya.

Despite the strong operational performance, the net profit is impacted by significant devaluation of the naira. The company believes that as macroeconomic situation stabilizes, the same would yield positive impact to the overall economy as well as company results. The company has taken robust margin management and cost management initiatives to address significant forex volatility and cost inflation.

On route to market, the company has expanded its footprints into 46 new towns and increased the base of the distributors by 48 distributors. We also expanded our reach to 223,923 outlets. To strengthen our nutrition offering, we have strengthened our medical delegate to reach more hospitals and towns.

The company recruited 250 additional staffs. 5 technical trainees were also sent to the Group headquarters, at Switzerland, for capability development. The company has focused on enhancing capabilities in the domain of energy efficiency and invested ₦815 million in new LNG plant at Agbara factory. The startup LNG facility will help us to further reduce costs and improve operational efficiency.

During the course of the year, the company received multiple awards as "Best Contributing Employer in training activities for 2023 within the Isolo Area Jurisdiction", "Winner of the HR Best Practice Award in the FMCG Sector in Nigeria", "Best Employer in Food and Beverage Category", "Best Company in Rural Population Integration", "Best Company in Food Security", "Most Responsible Organization in Africa: 2nd Runner-up", "One of the Top 20 companies in Environmental Sustainability", "Best Company in Corporate Social Responsibility", "Best In Community Relations", "Best in Internal Communications and Employee Engagement", "Organization with the Highest Number of Job Placements for Technical Trainees" and "1st Runner Up for the overall HR Best Practice Award in Nigeria".

The company remains committed to serving Nigerian consumers with its world class products, by offering nutrition at affordable pricing. Specific actions are being undertaken by the management to improve the overall profitability of the company in a very difficult operating environment, which the company plans to roll out in subsequent year, subject to the shareholder's approval, to improve the operational and financial performance of the Company.

The financial statements of Nestlé Nigeria Plc 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 as the Company has a continuing support from her parent company, Societe Des Produits Nestle S.A Switzerland.

### 33 Subsequent Events

There are no significant subsequent events which could have a material effect on the results of the Company as at December 31 2023 that has not been adequately provided for or disclosed in these unaudited interim financial statements.

### 34 Comparative figures

Certain reclassifications were made to the reported figures in the prior year in order to conform to this year's presentation.

## Other National Disclosures

## Value Added Statement

In thousands of naira	2023		2022		
Revenue	547,118,754		446,819,260		
Brought in materials and services					
- Local	(167,242,381)		(132,473,330)		
- Imported	(204,407,355)		(182,939,361)		
	<u>175,469,018</u>		<u>131,406,570</u>		
Finance Income	5,690,939		4,777,113		
Value Added	<u><b>181,159,957</b></u>		<u><b>136,183,683</b></u>		
<b>Distribution of Value Added:</b>					
<b>To Employees:</b>	Employees as wages and salaries	41,131,412	<b>23%</b>	34,787,521	<b>26%</b>
<b>To Providers of Finance:</b>	Finance Costs	232,380,984	<b>128%</b>	20,534,225	<b>15%</b>
	Company tax	36,789,941	<b>20%</b>	19,877,447	<b>15%</b>
<b>Retained in the business:</b>	Depreciation of PPE and ROU assets	11,672,990	<b>6%</b>	9,752,565	<b>7%</b>
	Deferred tax	(61,341,589)	<b>-34%</b>	2,266,436	<b>2%</b>
	(Loss)/ profit transferred to reserves	(79,473,781)	<b>-44%</b>	48,965,488	<b>36%</b>
		<u><b>181,159,957</b></u>	<u><b>100%</b></u>	<u><b>136,183,683</b></u>	<u><b>100%</b></u>

“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 further development of operations.

## Five-year financial summary

	Notes	2023	2022	2021	2020	2019
<b>In thousands of naira</b>						
<b>Funds Employed</b>						
Issued share Capital		396,328	396,328	396,328	396,328	396,328
Share Premium		32,262	32,262	32,262	32,262	32,262
Share based payment reserve		169,481	90,127	113,459	113,811	123,076
<b>Retained Earnings</b>		<b>(78,633,226)</b>	<b>29,772,507</b>	<b>20,836,160</b>	<b>28,754,583</b>	<b>45,005,964</b>
Shareholder's Fund		(78,035,156)	30,291,224	21,378,209	29,296,984	45,557,630
Current Liabilities		290,637,709	218,404,562	195,517,985	166,030,351	125,535,430
Non-current Liabilities		369,171,855	166,348,245	93,342,310	50,857,661	22,281,255
		<b>581,774,407</b>	<b>415,044,033</b>	<b>310,238,504</b>	<b>246,184,996</b>	<b>193,374,314</b>
<b>Asset Employed</b>						
Non Current assets		220,528,621	124,532,126	106,314,178	94,683,541	86,336,830
Current assets		361,245,786	290,511,904	203,924,326	151,501,455	107,037,484
		<b>581,774,407</b>	<b>415,044,031</b>	<b>310,238,503</b>	<b>246,184,996</b>	<b>193,374,314</b>
<b>In thousands of naira</b>						
Revenue		<b>547,118,754</b>	<b>446,819,260</b>	<b>351,822,329</b>	<b>287,084,087</b>	<b>284,035,255</b>
(Loss)/profit before income tax		(104,025,429)	71,109,371	61,875,342	60,638,443	71,123,824
(Loss)/profit for the year		(79,473,781)	48,965,488	40,037,277	39,212,025	45,683,113
Other comprehensive (loss)/ income, net of tax		(79,473,781)	48,965,488	40,037,277	39,212,025	45,683,113
Total comprehensive (loss)/ income, net of tax		(79,473,781)	48,965,488	40,037,277	39,212,025	45,683,113
Declared dividend*		28,931,953	40,029,141	47,955,703	55,485,937	50,333,672
<b>Per 50k share data:</b>						
Basic (loss)/earnings per share		(100.26)	61.77	50.51	49.47	57.63
Diluted (loss)/ earnings per share		(100.26)	61.77	50.51	49.47	57.63
Dividend paid		36.50	50.50	60.50	70.00	63.50
<b>Net assets per share</b>		<b>(100.26)</b>	<b>38.21</b>	<b>26.97</b>	<b>36.96</b>	<b>57.47</b>

\* Dividend paid represents final dividend proposed for the preceding year but declared during the current year. No interim or final dividend was declared  
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.