**Annual Report 2019**

**Unilever Nigeria Plc**

# Contents

## Our Purpose


## Our Values

INTEGRITY
RESPECT
RESPONSIBILITY
PIONEERING

# Unilever Corporate Profile

Unilever Nigeria Plc. is where great people, terrific brands and proud traditions converge, to meet and satisfy the needs of people and families across Nigeria. We anticipate the aspirations of our consumers and customers and respond creatively and competitively with branded products and services that are good for them and good for others.

Unilever Nigeria Plc. is a member of the Unilever Group, one of the world's leading consumer goods companies whose food, home and personal care brands are used by 2.5 billion people all over the world on any given day. Unilever Nigeria Plc. was established in 1923 as a soap manufacturing company – West Africa Soap Company– by Lord Leverhulme. It later became known as Lever Brothers Nigeria. Today, it is the longest serving manufacturing organization in Nigeria.

After a series of mergers and acquisitions, the Company diversified into manufacturing and marketing of foods and personal care products. These mergers and acquisitions brought in Lipton Nigeria Limited in 1985, Cheesebrough Industries Limited in 1988 and Unilever Nigeria Limited in 1996. The Company changed its name to Unilever Nigeria Plc. in 2001 in line with the global strategic direction of the business.

The Company was quoted on the Nigerian Stock Exchange in 1973 and is a truly Multi-local, Multinational organization with international and local brands in her portfolio. The international brands include Close-Up toothpaste, Pepsodent toothpaste, LUX beauty soap, Lifebuoy soap, Rexona, Vaseline lotion and Vaseline Petroleum Jelly in the Personal Care Unit of the business; Lipton Yellow Label Tea and Knorr bouillon cubes in the Foods Unit; and OMO Multi-Active Detergent, Sunlight washing powder, Sunlight washing bar soap and Sunlight Dish washing liquid in the Home Care Unit. Other Regional and local jewels include the Pears Baby Products range, Radiant washing powder and Royco bouillon cubes. The Company provides sources of income to tens of thousands of Nigerians who are shareholders, distributors, suppliers, service providers and employees.

Unilever believes in taking small everyday actions that can make a big difference for consumers, the communities in which it operates and the environment. A typical Unilever employee has passion and commitment to win and constantly looks for opportunity through insights to make a difference.

Unilever subscribes to the highest standards of corporate behavior by being transparent in her dealings, fair in competition, and law abiding. In a challenging operating environment like Nigeria, the Company remains a pride in the area of Corporate Governance by strictly adhering to Unilever's Global Code of Business Principles (CoBP). The company is also a socially responsible and responsive organization. Unilever has delivered significant social investments that have helped create a brighter future for numerous Nigerians.

The company has also leveraged its great brands to impact lives positively. In line with the social mission of health and hygiene, through brands like Knorr bouillon cubes, Pepsodent and Lifebuoy, Unilever has organized various outreach programmes that have enlightened Nigerians on the health benefits of handwashing, brushing twice a day, having iron fortified bouillon cubes and addressing iron deficiency through behavioral change campaigns. The Company has high growth aspirations, with a vision to grow our business whilst decoupling our environmental footprint from our growth and increasing our positive social impact. An ambition which is consistent with our long history of doing well by doing good.

Unilever Nigeria’s confidence in the Nigerian economy is unwavering and will remain a major player in the country by continually investing, developing capabilities and growing brands that most suit the consumers’ needs.

# Board of directors, officers and other corporate information

## Directors

| | | |
|---|---|---|
| His Majesty Nnaemeka A. Achebe CFR, MNI Obi of Onitsha | - | Non-Executive Chairman |
| Mr. Carl Cruz (Filipino) | - | Managing Director (Appointed w.e.f. 1 February, 2020) |
| Mrs. Abiola Alabi | - | Non-Executive Director |
| Ammuna Lawan Ali, OON | - | Independent Non-Executive Director |
| Mr. Felix Enwemadu | - | Executive Director |
| Mr. Chika Nwobi | - | Non-Executive Director |
| Mr. Atedo N. A. Peterside, CON | - | Non-Executive Director |
| Mrs. Adesola Sotande-Peters | - | Executive Director |
| Mr. Mutiu Sunmonu, CON | - | Independent Non-Executive Director |

## General Counsel Ghana-Nigeria & Company Secretary

Mrs. Abidemi Ademola

## Registered Office

1 Billings Way
Oregun
Ikeja, Lagos
Tel: +234 1 279 3000 and +234 803 906 6000
Email: Consumercare.nigeria@unilever.com
Website: www.unilevernigeria.com

## Company Registration Number

RC 113

## Independent Auditor

KPMG Professional Services
KPMG Towers
Bishop Aboyade Cole Street
Victoria Island
Lagos.

## Registrar and Transfer Office

Greenwich Registrars and Data Solutions Ltd.
274, Murtala Muhammed Way
Alagomeji, Yaba, Lagos
Tel: 01-279 3161- 2 & 01 -813 1925
Email address: info@gtlregistrars.com.

## Bankers

| | |
|---|---|
| Access Bank | Guaranty Trust Bank |
| Citi Bank | Rand Merchant Bank |
| Coronation Bank | Stanbic IBTC Bank |
| Diamond Bank | Standard Chartered Bank |
| First Bank | Sterling Bank |
| First City Monument Bank | United Bank for Africa |
| Ecobank Nigeria | Zenith Bank |

# Results at a glance

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Revenue | 60,486,835 | 92,899,969 |
| Operating (loss)/ profit | (11,763,219) | 9,197,776 |
| (Loss)/ profit before taxation | (10,071,943) | 12,621,908 |
| Taxation | 2,652,269 | (3,489,756) |
| (Loss)/ profit from continuing operations | (7,419,674) | 9,132,152 |
| Profit from discontinued operations | - | 1,419,988 |
| (Loss)/ profit for the year | (7,419,674) | 10,552,140 |
| Capital employed | 66,528,350 | 75,908,375 |
| Capital expenditure | 6,511,071 | 5,395,511 |
| Depreciation of property, plant and equipment | 4,265,782 | 2,672,245 |
| Cash and cash equivalents | 35,458,553 | 57,144,182 |
| Earnings per share (Naira) | (1.29) | 1.84 |
| Earnings per share (Naira) - continuing operations | (1.29) | 1.59 |
| Net Assets per share (Naira) | 11.58 | 13.21 |
| NSE share price at 31 December | 19.00 | 37.00 |
| **Ratio % Revenue** | | |
| Operating costs | -27% | 88% |
| Operating (loss)/ profit | -19% | 12% |
| (Loss)/ profit after tax | -12% | 11% |

# Board profile

### HIS MAJESTY NNAEMEKA A. ACHEBE CFR, MNI –Non-Executive Chairman

His Majesty Nnaemeka A. Achebe, Obi of Onitsha, had a 30-year career with the Royal Dutch Shell Petroleum Group of Companies in Nigeria and overseas. He is the past Chairman of Diamond Bank PLC, past Chairman of Intafact Beverages Ltd. (subsidiary of SAB Miller Plc.) and past Chancellor of Kogi State University. He is the Chairman of the Board of International Breweries Plc.(a subsidiary of AB-InBev, the global leading brewer of beer and other beverages). and a non-executive director of Coscharis Farms Limited. (a subsidiary of the Coscharis Group). He is also the Chairman of Anambra State Traditional Rulers Council, Chairman of the South East Council of Traditional Rulers. and Chancellor Ahmadu Bello University, Zaria. He was educated at Stanford and Columbia Universities in the U.S.A. and also attended the National Institute for Policy and Strategic Studies, Kuru. He was appointed to the Board of Unilever Nigeria Plc. in March 2003.

### MR CARL CRUZ (FILIPINO) - Managing Director & Vice President Ghana-Nigeria

Mr Carl Raymond R. Cruz. is the immediate past Executive Chairman, Unilever Sri Lanka. He holds a Bachelor of Science degree in Marketing from De La Salle University, Philippines. He comes with an extensive career in Unilever D & E Markets in Asia (Philipines, Thailand, India and Sri Lanka). Since joining Unilever in 1992, Carl has gained over 26 years' experience working in Customer Development, and in Marketing roles across Home Care, Beauty & Personal Care and Foods. Most recently, as Chairman of Unilever Sri Lanka, Carl has successfully steered the business to a sustainable and competitive growth trajectory. He has not only established Unilever Sri Lanka as a market leader across key categories but also as the most admired employer, despite some very challenging conditions, including the Horana Fire in 2016 and the Easter Sunday Attacks in 2019. Under Carl's leadership, the Sri Lanka business was positioned as a lean, agile and digitally-enabled organization. Carl's passion for inclusion, experimentation and empowerment is reflected in his vision of Re Imagine USL - a transformational journey, that he has led from the front.
He was appointed to the Board of Unilever Nigeria Plc. in February 2020.

### MR ATEDO N. A. PETERSIDE CON. – Non-Executive Director

Mr. Peterside (a Commander of the Order of the Niger) is the Founder of Stanbic IBTC Bank Plc. He is also the Founder and Chairman of Anap Business Jets Limited and Anap Foundation as well as the Chairman of Cadbury Nigeria Plc, ART X Collective Limited and Endeavor High Impact Entrepreneurship Ltd/Gte.
He was the Chairman of the Committee that crafted the first Corporate Governance Code for Public Companies in Nigeria (published in October 2003). Mr. Peterside sits on the Boards of Flour Mills of Nigeria Plc, Nigerian Breweries Plc (Heineken Subsidiary), Standard Bank Group Limited and The Standard Bank of South Africa Limited. He also serves on the West Africa Advisory Board of Prince's Trust International and is the Alternate Vice Chairman (Private Sector) of the Nigerian Industrial and Competitiveness Advisory Council, which is chaired by the Vice President of the Federal Republic of Nigeria. He was appointed to the Board of Unilever Nigeria Plc. in January 2008.

# Board Profile (continued)

**Mrs Abiola Alabi – Independent Non-Executive Director**

Biola Alabi is the CEO of Biola Alabi Media, a dynamic consultancy with expertise in film and television production; pay-tv entertainment, digital television; they service governments, content creators and the telecommunication industry. She is also the founder of "Grooming for Greatness" a leadership development and mentorship program for a new generation for African leaders. Named one of the 20 Youngest Power Women in Africa by Forbes Magazine (2012), a World Economic Forum Young Global Leader (2012) and CNBC Africa's AABLA West African Business Woman of the Year (2013), Yale World Fellow (2014) for over five highly successful years, Biola Alabi held the position of Managing Director for M-Net, Prior to this, she was based in the United States where she was part of the executive team at the children's television brand Sesame Street. An alumni of the University of Cincinnati, Alabi has spent recent years polishing her knowledge with Executive Education Programs at Harvard University's Kennedy School of Government and Yale University's Jackson Institute of Global Affairs. She was appointed to the Board of Unilever Nigeria Plc. in December, 2015.

**AMMUNA LAWANI ALI, OON – Independent Non-Executive Director**

Ammuna Lawan Ali, a retired Federal Permanent Secretary, commenced her Civil Service career in 1977 as a Planning Officer in the Borno State Ministry of Lands and Survey, Maiduguri, where she rose to the position of Permanent Secretary. In 1995, Ammuna Lawan Ali transferred her services to the Federal Civil Service as a director and served in the Ministry of Women Affairs and Social Development and of Finance. In January 2001, Ammuna Lawan Ali was appointed a Permanent Secretary and served in various Ministries, including those of Commerce, Petroleum Resources, Transportation, Works, Environment, Housing and Urban Development, amongst others. She retired from service in December 2009. Ammuna Lawan Ali is a proud recipient of a national honour, Order of Niger (OON) and a member of the National Institute of Policy and Strategic Studies (NIPSS) Kuru. She holds a BA (Hons) and Masters Degree in Public Administration. She is an Independent Director of Africa Prudential Plc. She was appointed to the Board of Unilever Nigeria Plc. in December, 2015.

**MR MUTIU SUNMONU CON, FNSE – Independent Non-Executive Director**

Mutiu Sunmonu, CON graduated from the University of Lagos in 1977 with a first-class degree in Mathematics and Computer Sciences. He joined Shell Petroleum Development Company of Nigeria Limited (SPDC) in August 1978 and served in various capacities in Nigeria, UK and the Netherlands. After 36 years of meritorious service, Mr. Mutiu Sunmonu retired from Shell as the Managing Director of SPDC, and Country Chair of Shell Companies in Nigeria. Since his retirement, he continues to be active in the Oil and Gas Industry. He is currently the chairman of Petralon Energy Nigeria and the chairman of San Leon Energy UK. He is the Chairman of Julius Berger Nigeria Plc and the Chairman of Imperial Homes Mortgage Bank. He was appointed to the Board of Unilever Nigeria Plc. in December, 2015. and the chairman of San Leon Energy UK. He is the Chairman of Julius Berger Nigeria Plc and the Chairman of Imperial Homes Mortgage Bank. He was appointed to the Board of Unilever Nigeria Plc. in December, 2015.

# Board Profile (continued)

**MR. CHIKA NWOBI – Non-Executive Director**

Chika Nwobi is the founder and CEO of Decagon where brilliant young Nigerians are trained to be world-class software engineers then connected to local and global opportunities. Before Decagon, Chika has been involved in incubating over 20 startups including Babybliss - Nigeria's top omni-channel platform for mom and baby, Jobberman and Cheki. Chika was the founder of MTech where he launched Nigeria's first mobile internet service with MTN Nigeria in 2001 and helped pioneer the Mobile VAS industry. Chika has also led consulting engagements for Ford Foundation and IFC. Chika is also venture partner in Rise Capital, an emerging-markets focused venture capital firm. Chika has a BA in Economics and a B.Sc. in Computer Science and is in the MSc Software Engineering program at University of Oxford. He also completed the Stanford University SEED transformation program. Chika is passionate about education and developing young people and has been invited to speak at Wharton, NYU and Lagos Business School. He has also served as judge and mentor for entrepreneurship programs of Federal Government of Nigeria's and the World Bank XL startup program. He was appointed to the Board of Unilever Nigeria Plc. in January 2019.

**MR FELIX ENWEMADU – Executive Director and Vice President Customer Development**

Mr Felix Enwemadu is the Vice President Customer Development. Prior to this position, he was the Head of Customer Development and Customer Development Director, General Trade respectively at Unilever Nigeria Plc, General Manager at Diageo Brands Nigeria Ltd, Sales Director at Nutricima Nig. Plc, Head of Sales Notore Chemicals Industries Ltd and occupied Sales Management positions at Guinness and Procter & Gamble. He is an experienced business sales professional with over 20 years' experience. He holds a Bachelor of Science Degree in Geology from Nnamdi Azikiwe University, Awka, Anambra State. He was appointed to the Board of Unilever Nigeria Plc. in October, 2016.

**MRS ADESOLA SOTANDE-PETERS – Executive Director and Vice President Finance Ghana Nigeria**

Mrs. Adesola Sotande-Peters holds a bachelor degree in Business Administration and Economics from Richmond College, The American International University in London, she also has an MBA for finance professionals from Manchester Business School. She is a Fellow of the Association of Certified Chartered Accountants (FCCA) and fellow of the Institute of Chartered Accountants of Nigeria (FCA). Her career spans about 25 years in various organizations such as British Broadcasting Corporation (BBC), Informa Group UK, Openwave Telecoms UK, Diageo Plc (Guinness Nigeria Plc, East African Breweries Limited, and Guinness Cameroon SA) where she has held various senior Finance roles. Adesola is a member of the Institute of Directors, Nigeria, an Associate member of Women in Management, Business & Public Services (WIMBIZ) and a Fellow of the WIMBOARD Institute, a WIMBIZ/IE University, Madrid Executive Education Programme for Women on Boards. She was a recipient of the 2017 CEO Awards as the CFO of the year – FMCG category and also a recipient of the Best place to work and Great Place to Work exceptional female leader for 2018 and 2019 respectively. Adesola is amiable and keen to nurture young professional colleagues. Adesola is a non-executive director of Unilever Ghana Ltd. She was appointed to the Board of Unilever Nigeria Plc. in January 2015.

# Board Profile (continued)

**MRS ABIDEMI ADEMOLA –General Counsel Ghana-Nigeria & Company Secretary**

Mrs. Abidemi Ademola is a Corporate Counsel and Chartered Secretary with experience spanning over 24 years of Commercial Law and Corporate Governance practice in Nigeria and West Africa. She is listed on the Legal 500 GC Powerlist: Africa. Her forte is to proactively identify legal, regulatory, compliance and corporate governance risks to business and develop innovative mitigation to enable seamless operations. Abidemi holds a Bachelor of Laws from the Obafemi Awolowo University, Ile-Ife., a Master of Laws from the University of Lagos, Akoka and an MBA Leadership from Walden University, United States. She is a Fellow of the Institute of Chartered Secretaries and Administrators of Nigeria and an Associate of the United Kingdom equivalent. She is also a member of the Nigerian Bar Association, the Society of Corporate Governance and the Institute of Directors, Nigeria. She is an Associate member of Women in Management, Business & Public Services (WIMBIZ) and a Fellow of the WIMBOARD Institute, a WIMBIZ/IE University, Madrid Executive Education Programme for Women on Boards. Abidemi chairs the Corporate Counsel Committee of the NBA Section on Business Law. She is passionate about nurturing talents to realise their leadership potential. She was appointed as Company Secretary in January 2012.

# Report of the directors

The Directors hereby present their Report together with the audited financial statements for the year ended 31 December 2019.

## Legal Status

Unilever Nigeria Plc. is incorporated in Nigeria as a public limited liability company under the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 and is domiciled in Nigeria. The company's shares are listed on the Nigerian Stock Exchange (NSE).

## Principal activities

The company is principally involved in the manufacture and marketing of Foods and refreshments, Home care and Beauty and personal care products. It has manufacturing sites in Oregun, Lagos State and Agbara, Ogun State.

## Results

The results for the year are summarized as follows:

| | N'000 |
|---|---|
| Revenue | 60,486,835 |
| Operating loss | (11,763,219) |
| Loss before taxation | (10,071,943) |
| Taxation | 2,652,269 |
| Loss after tax | (7,419,674) |
| Other comprehensive income | (224,011) |
| Proposed dividend | - |

## Corporate Governance Report

## Framework

Unilever Nigeria Plc. operates within a Corporate Governance framework established on the following:

1. Companies and Allied Matters Act (Cap C20) LFN 2004.
2. The Rule Book of the Nigerian Stock Exchange for the time being in force
3. The Investment and Securities Act 2007
4. Securities and Exchange Commission (SEC) Rules for the time being in force
5. The SEC Code of Corporate Governance for Public Companies 2011 as amended
6. The Nigerian Code of Corporate Governance 2018
7. The Memorandum and Articles of Association of Unilever Nigeria Plc.
8. The Board Charter
9. The Unilever Code of Business Principles and Code Policies
10. Subsidiary Governance of Unilever document

From the above, the Corporate Governance Policy of Unilever Nigeria Plc can be summed up as follows:

a. We conduct our operations with honesty, integrity and openness and with respect for the human rights and interests of the employees.

b. We shall similarly respect the legitimate interests of those with whom we have relationships

c. As a Unilever Group company, we are required to comply with the laws and regulations of the countries in which we operate.

# Report of the directors (continued)

d. We will conduct our operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to our shareholders and other stakeholders.

Compliance with the above principles is an essential element in our business success and all employees and business partners of Unilever are mandated to comply with the above principles.

During the year 2019, Unilever Nigeria Plc. complied with all the mandatory provisions of the Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011 as amended together with the requirements of other good corporate governance standards listed above. The company also took cognizance of the Nigerian Code of Corporate Governance 2018 and imbibed the principles enunciated in same in the course of 2019.

## Board composition

The Directors who held office during the year 2019 and up to the date of this report are:

| | |
|---|---|
| His Majesty Nnaemeka A. Achebe, CFR, MNI | Non-Executive Director and Chairman |
| Mr Carl Cruz | Managing Director<br>(Appointed w.e.f. 1 February, 2020) |
| Mr Yaw Nsarkoh | Managing Director<br>(Resigned w.e.f. 30 November 2019) |
| Mrs Abiola Alabi | Non-Executive Director |
| Ammuna Lawan Ali, OON | Independent Non-Executive Director |
| Mr Felix Enwemadu | Executive Director |
| Mr Chika Nwobi | Non-Executive Director |
| Mr. Atedo N. A. Peterside, CON | Non-Executive Director |
| Mrs Adesola Sotande-Peters | Executive Director |
| Mr Mutiu Sunmonu, CON | Independent Non-Executive Director |

Since the last Annual General Meeting, the following Director resigned from the Board:
Mr Yaw Nsarkoh - resigned from the Board with effect from 30 November, 2019.

## Board responsibilities

The Board has the final responsibility for leadership, direction and performance of the company and has the powers, authorities and duties vested in it by the relevant laws and regulations of the Federal Republic of Nigeria and the Articles of Association of Unilever Nigeria Plc. The Board has overall responsibility for the management of risk and for reviewing the effectiveness of the internal control and risk management system within the company.

The Board has delegated to the Chief Executive Officer/Managing Director all its powers, authorities and discretions which relate to the day to day operations of Unilever Nigeria Plc.

The powers, authorities and discretions exclusively within the remit of the Board and which currently have not been delegated include making or approving the following:

1 Structural and constitutional powers
- a Alteration of Articles of Association
- b Alteration of the capital of the Company
- c Significant asset disposal

# Report of the directors (continued)

2 Governance

a Convening of meetings of the shareholders of Unilever Nigeria Plc. and the setting of the agenda thereof and generally ensuring that a satisfactory dialogue with shareholders takes place.

b Presentation of the annual report and financial statements to shareholders.

c Reviewing and approving proposals from the Governance, Remuneration and Risk Management Committee.

d Proposals to the general meetings of shareholders of Unilever Nigeria Plc. on the Board remuneration policy within the authority set by the general meeting of shareholders.

e The review of the functioning of the Board and its committees.

f Overall responsibility for compliance with all relevant laws, regulations and Code of Corporate Governance.

g The Operating Framework.

**Board appointment and evaluation process**

Unilever Nigeria Plc. appoints Directors in line with its Board recruitment process which devolves from its Code of Business Principles and Code Policies relating to human resources recruitment and the corporate Governance. The basic principle underlining the process of recruitment of Directors in Unilever Nigeria Plc. are the qualifications, ability and skills required for the role and the ability to make visible and independent (as applicable) contribution to the governance of Unilever Nigeria Plc. in accordance with Unilever global, regional and local strategy and the relevant local legal requirements. These principles were applied during the appointment of Mr Carl Cruz, the new Managing Director.

The governance process in Unilever Nigeria Plc. provides for the induction and training of Directors by virtue of which Directors are taken through relevant and appropriate training programmes which empower them for the role on an ongoing basis. In accordance with its 70-20-10 principle, Unilever believes that training and capability development largely happen through on-the-role experience and exposure, 20% will happen through relationship building and interaction with the right calibre of people while the remaining 10% will result from formal training.

In 2019, the Board went through a formal training session on ‘Cyber Security: Considerations for the Board’ which was facilitated by PricewaterhouseCoopers, Nigeria.

Unilever Nigeria Plc. provides the right atmosphere for its Directors to exhibit leadership and enhance their capabilities. Unilever Nigeria Plc further provides relevant governance information to its Directors and facilitates circulation of essential governance documents to the Board from time to time to keep them updated on legal, regulatory and corporate governance trends.

The Board of Directors of Unilever Nigeria Plc. is evaluated locally and at the Unilever Africa Cluster level on an annual basis. The Board and individual Directors are benchmarked against the requirements of the Unilever Code of Business Principles, the Code Policies, the laws and regulations of Nigeria, the SEC Code of Corporate Governance, the Nigerian Code of Corporate Governance and other relevant governance provisions. The scope of evaluation covers compliance, contribution to the Board agenda for the year, attendance at meetings, quality of discussions at Board meetings, level of engagement with government and the community, business performance and entrepreneurial acumen.

# Report of the directors (continued)

In line with the Unilever Governance standards and in compliance with the SEC Code of Corporate Governance, the Board of Unilever Nigeria Plc. opted for an internal evaluation exercise in respect of period ended 31 December, 2019 to review the performance of the Board, individual Directors and Board Committees. The Evaluation Report shows that Unilever's governance procedures and practices during the year ended 31 December 2019 were in compliance with the provisions of applicable laws, regulations, corporate governance Code and international best practices. Action points from the Evaluation will be addressed in the course of 2020.

### Directors retiring by rotation

In accordance with Article 90 of the company's Articles of Association, Mr Chika Nwobi and Mr Mutiu Sunmonu will retire by rotation and being eligible, offer themselves for re-election.

His Majesty Nnaemeka A. Achebe will also retire by rotation and offer himself for re-election notwithstanding that he is over 70 years of age. A special notice of his age has been given to the company pursuant to Section 256 of the Companies and Allied Matters Act LFN 2004.

In addition, Mr Carl Cruz who was appointed since the last Annual General Meeting will retire at this meeting and being eligible offer himself for re-election.

The profiles of all the four (4) Directors standing for re-election are contained on pages 6 to 9 of this Annual Report and Financial Statements.

### Board committees

In line with the Code of Corporate Governance, the Board of Directors works through the following committees:

**a. Executive Committee (Exco)**

The Exco is a sub-committee of the Board and it is empowered by the Board to take decisions on behalf of the Board, which are necessary for the smooth day to day operations of the company.

The committee is composed of the Executive Directors of the company. The following are currently members of the committee:

| | | | |
|---|---|---|---|
| i | Mr. Carl Cruz | - | Managing Director & Vice President |
| ii | Mrs. Adesola Sotande-Peters | - | Finance Director & Vice President Finance |
| iii | Mr. Felix Enwemadu | - | Executive Director & Vice President Customer Development |

**b. Leadership Team (LT)**

The Leadership Team is constituted by the Executive Directors and Senior Executives who occupy strategic roles in the organization.

This Leadership Team is responsible for delivering the corporate targets of the company, establishing priorities, allocating resources, and seeing to the operations of the company on a day to day basis. The Leadership Team is chaired by the Managing Director/Chief Executive Officer of the company. Current members of the leadership team are as follows:

# Report of the directors (continued)

**Board committees (continued)**

| | | | |
|---|---|---|---|
| i | Mr. Carl Cruz | - | Managing Director & Vice President |
| ii | Mrs. Abidemi Ademola | - | General Counsel Ghana-Nigeria & Company Secretary |
| iii | Mrs Bunmi Adeniba | - | Brand Building Director Home Care Ghana-Nigeria |
| iv | Mr. Adeleye Adeniji | - | Customer Development Director |
| v | Mr. Cephas Afebuameh | - | Manufacturing Director |
| vi | Mr. Ola Ehinmoro | - | Human Resources Director Ghana-Nigeria |
| vii | Mr Obinna Emenyonu | - | Procurement Operations Director, West Africa |
| viii | Mr. Felix Enwemadu | - | Executive Director & Vice President Customer Development |
| ix | Mrs Soromidayo George | - | Corporate Affairs & Sustainable Business Director Ghana-Nigeria |
| x | Farrukh Iqbal | - | CD Excellence and Modern Trade Director |
| xi | Mrs Bolanle Kehinde-Lawal | - | Brand Building Director Foods Ghana-Nigeria |
| xii | Mr. Dave Planson | - | Research & Development Director West Africa |
| xiii | Mr Siddharth Ramaswamy | - | Vice President Supply Chain West Africa |
| xiv | Mrs. Adesola Sotande-Peters | - | Vice President Finance Ghana-Nigeria |

**c. The Audit Committee**

The Audit Committee, established in accordance with the provisions of Section 359(4) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004, comprises of three (3) shareholders' representatives and three (3) Directors' representatives (all of whom are non–executive Directors). The chairman of the Audit committee is a shareholders' representative. During the year under review, the committee met four (4) times.

The functions of the Audit Committee are governed by the provisions of Section 359(6) of the Companies and Allied Matters Act Cap 20 Laws of the Federation of Nigeria 2004 and the SEC Code of Corporate Governance for Public Companies 2011. The Members of the Audit Committee and the Report of the Audit Committee to the members are contained on page 29.

**Governance, Remuneration and Risk Management Committee**

The Governance, Remuneration and Risk Management Committee comprises solely of Non-Executive Directors and is chaired by a Non-Executive Director. The Committee's Terms of Reference are in line with the SEC Code of Corporate Governance 2011. Members of the Committee during the period ended 31 December, 2019 were:

i Mr. Atedo N.A. Peterside, CON - Chairman
ii His Majesty Nnaemeka A. Achebe, MNI, CFR
iii Ms Ammuna Lawan Ali, OON
iv Mr Mutiu Sunmonu, CON

# Report of the directors (continued)

## Board committees (continued)

Following the Nigerian Code of Corporate Governance 2018 coming into force in 2019, the Board took a conscious decision to retain the Chairman of the Board as a member of the Committee on the basis of his experience and knowledge which the Committee considers invaluable for its activities.

In 2019, all the above committees discharged their roles creditably and in line with their terms of reference.

## Board meetings

During 2019, the Board held five (5) meetings. The record of Directors' attendance is presented below:

| Name | Meeting date 21 January 2019 | Meeting date 14 March 2019 | Meeting date 17 April 2019 | Meeting date 18 July 2019 | Meeting date 23 October 2019 | Total attendance |
|---|---|---|---|---|---|---|
| His Majesty N.A. Achebe | √ | √ | √ | √ | √ | 5 meetings |
| Mr. Carl Cruz | NYA | NYA | NYA | NYA | NYA | NYA |
| Mr. Yaw Nsarkoh | √ | √ | √ | √ | X | 4 meetings |
| Mrs Abiola Alabi | √ | √ | √ | √ | √ | 5 meetings |
| Ammuna Lawan Ali | √ | √ | √ | √ | √ | 5 meetings |
| Mr Felix Enwemadu | √ | √ | √ | √ | √ | 5 meetings |
| Mr Chika Nwobi | √ | √ | √ | √ | √ | 5 meetings |
| Mr. A.N.A. Peterside | √ | √ | √ | √ | √ | 5 meetings |
| Mrs. Adesola Sotande-Peters | √ | √ | √ | X | √ | 4 meetings |
| Mr Mutiu Sunmonu | √ | √ | X | √ | √ | 4 meetings |

√ - Present

NYA - Not yet appointed

X – Absent with apologies

## Governance, Remuneration and Risk Management Committee

The Governance, Remuneration and Risk Management Committee held three (3) meetings in 2019.

The record of members' attendance is presented below:

| Name | Meeting date 14 March 2019 | Meeting date 18 July 2019 | Meeting date 23 October 2019 | Total attendance |
|---|---|---|---|---|
| Mr. A.N.A. Peterside | ✓ | ✓ | ✓ | 3 Meetings |
| His Majesty N.A. Achebe | ✓ | ✓ | ✓ | 3 Meetings |
| Ammuna Lawan Ali | ✓ | ✓ | ✓ | 3 Meetings |
| Mr Mutiu Sunmonu | ✓ | ✓ | ✓ | 3 Meetings |

✓ - Present

# Report of the directors (continued)

### Audit Committee meetings

The Audit Committee held four (4) meetings in 2019. The record of members' attendance is presented below:

| Name | Meeting date | Meeting date | Meeting date | Meeting date | Total attendance |
|---|---|---|---|---|---|
| | 13 March 2019 | 16 April 2019 | 17 July 2019 | 22 October 2019 | |
| Mr David Oguntoye | ✓ | ✓ | ✓ | ✓ | 4 Meetings |
| Alhaji W. Ajani | ✓ | ✓ | ✓ | ✓ | 4 Meetings |
| Mr Kolawole Durojaiye | NYA | NYA | ✓ | ✓ | 2 Meetings |
| Mrs Abiola Alabi | ✓ | ✓ | ✓ | ✓ | 4 Meetings |
| Mr Chika Nwobi | ✓ | ✓ | ✓ | ✓ | 4 Meetings |
| Madam Ammuna Lawan-Ali | NYA | NYA | ✓ | ✓ | 2 Meetings |

✓ - Present NYA - Not yet appointed

### Record of Directors' attendance at Board meetings

In accordance with section 258 (2) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 the record of the Directors' attendance at Directors' meetings during 2019 as listed above is available for inspection at the Annual General Meeting.

### Directors' interests in contracts

Directors' interests in contracts for the year ended 31 December, 2019 were as follows:

| Name of Director | Nature of the contract | Directors' Interest therein |
|---|---|---|
| Mr. Atedo N. A. Peterside, CON | Pension Fund Administrator Service Agreement with Stanbic IBTC Pension Managers Ltd. & banking relationship with Stanbic IBTC Bank Plc. | Shareholder of Stanbic IBTC Holdings Plc. the Holding Company of Stanbic IBTC Pension Managers Ltd. and Stanbic IBTC Bank Plc. |

No other Director has notified the company for the purpose of section 277 of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria 2004, of their direct or indirect interest in contracts or proposed contracts with the company during the year.

### Directors' shareholding

The Register of Directors' interests in the share capital of the company will be open for inspection at the Annual General Meeting.

The direct and indirect interest of Directors in the issued share capital of the company as recorded in the Register of Directors' Shareholdings and/or as notified by them for the purposes of sections 275 and 276 of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 and the listing requirements of the Nigerian Stock Exchange are as follows:

# Report of the directors (continued)

| Director | Number of shares held at 31 December 2019 & up to 31 March 2019 | Number of shares held at 31 December 2018 |
|---|---|---|
| His Majesty Nnaemeka A. Achebe | 55,976 | 55,976 |
| Mr. Carl Cruz | Nil | Nil |
| Mrs Abiola Alabi | Nil | Nil |
| Ammuna Lawan Ali | Nil | Nil |
| Mr Felix Enwemadu | Nil | Nil |
| Mr Chika Nwobi | Nil | Nil |
| Mr. Atedo N. A. Peterside -Indirect (First ANAP Domestic Trust) | 2,500,000 | 2,500,000 |
| Mrs Adesola Sotande-Peters | Nil | Nil |
| Mr Mutiu Sunmonu | Nil | Nil |

According to the register of members at 31 December 2019, the following shareholders of the Company held more than 5% of the issued share capital of the Company:

| Shareholder | Number of shares | Percentage held % |
|---|---|---|
| Unilever Overseas Holdings B.V. Holland | 3,277,305,278 | 57.05 |
| Unilever Overseas Holdings BV | 877,209,358 | 15.27 |
| Stanbic Nominees Nigeria Ltd (Cummulative Holding) | 436,107,262 | 7.59 |

**Immediate and Ultimate Parent Companies**

Unilever Overseas Holdings B.V. and Unilever Plc. United Kingdom.

**Share Dealing Policy**

In accordance with the Post-Listings Rules of the Nigerian Stock Exchange, Unilever Nigeria Plc. has in place a share dealing policy which regulates securities transactions by its Directors, Employees and other Insiders on terms which are no less exacting than the required standard set out in the Nigerian Stock Exchange Rules. The Policy and Closed Periods are communicated periodically to drive compliance. In respect of the year ended 31 December, 2019, the Directors of Unilever Nigeria Plc. hereby confirm that:

1) A code of conduct regarding securities transactions by all Directors has been adopted by the Company.
2) Specific enquiry of all Directors has been made during the reporting period and there is no incidence of non-compliance with the listing rules of the Nigerian Stock Exchange, and Unilever Nigeria's code of conduct, regarding securities transactions by Directors.

**Complaints Management Policy Framework**

In compliance with the Securities and Exchange Commission Rule Relating to the Complaints Management Framework of the Nigerian Capital Market ("SEC Rules") 2019, Unilever Nigeria Plc. has further strengthened its complaints management procedure. The Company has in place a formal Complaints Management Policy by which complaints arising from issues covered under the Investment and Securities Act 2007 (ISA) are registered, promptly resolved and quarterly submission of same is made to the Nigerian Stock Exchange.

# Report of the directors (continued)

### Unilever Code of Business Principles

Unilever Nigeria Plc. has zero tolerance for corruption and unethical practices and mandates its employees and business partners to adhere to all applicable laws and regulations, the Unilever Code of Business Principles and Code Policies. Unilever Code of Business Principles (COBP) prescribes a uniform standard of conduct expected of every Unilever operating company, employee and business partner.

The COBP covers matters such as Obeying the law, Conflict of interest, Business integrity, Business partners, Shareholders and public activities, Fair Competition, Data Protection and Responsibility to our consumers. The Code Policies further spell out the 'must dos' and 'must nots' relating to each area under the COBP. Employees of Unilever Nigeria Plc. go through periodic mandatory trainings and Declarations and focussed discussions to reinforce the COBP standards and drive compliance.

Compliance with the COBP is mandatory and is monitored at the highest level of the organization. Internal and external confidential reporting media are available to encourage reporting of breaches and sanctions are consistently applied for these breaches. Unilever has a dedicated Business Integrity organization which focuses on Code compliance and related matters. The BI organization provides an effective framework for prevention, monitoring and enforcement. Unilever also makes it mandatory for all its business partners to sign up to compliance with its Responsible Business Partner Policy or Responsible Sourcing Policy as may be applicable

### Employment policy

At Unilever Nigeria, we remain firm in our belief that winning in the marketplace requires winning with people, and through people. This belief continues to guide the way we work and reflects in our policies and practices at every stage of our employment cycle. We are committed to remaining an equal opportunity employer who is passionate about diversity, inclusivity and mutual respect while encouraging vibrant communication and consultation amongst all our employees.

Our core values and Code of Business Principles define what we stand for and the framework within which we do business. These are values and principles hinged on professional integrity, attaining and maintaining a pioneering mindset of innovation and continuous improvement, a responsibility to make a positive impact in the society in which we operate, and respect for all our stakeholders. These non-negotiables together with our standards of leadership define the kind of people that drive our business; people with Purpose and Service, Personal Mastery, Agility, a Passion for High Performance, Consumer Love with Business Acumen and those who have the ability to be Talent Catalyst.

### Talent Development

We recognize that our people are a key part of our sustainable competitive advantage in this increasingly connected world. Accordingly, we have set ourselves apart in the FMCG industry by continuously working to create development opportunities and connecting our employees with those opportunities. In 2019 we pioneered a new Growth Culture where we introduced a performance management framework to encourage high performance and help employees live out their purpose, while driving business growth.

While encouraging employees to take ownership of their personal development, we also have robust technology enabled systems to develop better leadership, professional and general skills in our employees, for enhanced engagement and productivity.

# Report of the directors (continued)

In 2019, in addition to our focus on experiential development through on-the-job deliverables, we implemented various initiatives to complement other traditional learning methodologies, with our business leaders being at the forefront of these initiatives. The introduction of the Book Club, Line Manager Capability building sessions and other related activities continue to create the platform for our business leaders to engage with employees and share their experiences, while also giving career coaching and mentoring to younger employees within the organization.

We recognize that our people are a key part of our sustainable competitive advantage in this increasingly connected world. Accordingly, we have set ourselves apart in the FMCG industry by continuously working to create development opportunities and connecting our employees with those opportunities. In 2019 we pioneered a new Growth Culture where we introduced a performance management framework to encourage high performance and help employees live out their purpose, while driving business growth.

**Employee Engagement**

Our employees are our most valued assets and as such their wellbeing and purpose are integral to building a positive work environment that drives growth. In this regard, we deployed initiatives to promote a highly engaged and productive workforce whilst inspiring a sense of accountability and ownership. Our "#ItsMyBusiness" initiative was geared towards improving the physical, emotional and mental wellbeing of our employees and driving an ownership mindset through Adopt-a-store campaign, cost frugality and security awareness initiatives.

We intensified the "Thrive" initiative by upskilling Line Managers via capability sessions for balanced personal wellbeing and work, as well as driving a mental wellbeing support system for all employees through the Lipton "You.Me.Tea.Now" campaign.

Also, as part of our drive to foster a productive and inspiring environment, we relaunched more specific initiatives such as the "Agile Working" campaign powered by the recently completed office renovation across our business premises. We included a creche, eco-friendly office workspaces as well as optimized resource sharing and disability-friendly infrastructure. This engendered increased sense of belonging, motivation and commitment amongst employees.

We also promoted diversity and inclusion through the re-invigoration of the "Diffability" initiative by exploring support systems geared at the inclusion of people with disabilities in the workplace. We drove workplace gender equality campaigns on International Women's Day. Finally, we championed "Unity-In-Diversity" during the 59th Nigerian Independence celebration across Unilever Nigeria.

All of these programs worked to keep our people engaged, motivated and focused on delivering our business objectives

**Employer Branding**

In 2019, we launched and amplified several initiatives geared at building our employer brand. One of such was the sustenance of partnerships with reputable universities where we hosted student competitions, career talks, seminars etc. We also successfully deployed the following key projects:

a. A proactive talent sourcing and conversion program called "Unilever Field Sales Accreditation" program, through which we sourced for field sales talent.

b. The "Unilever Campus Ambassadors" program activated across universities nationwide aimed at connecting university students with Unilever's values and preparing them for the workplace.

# Report of the directors (continued)

c. The "Unilever Secondary Students Internship Program" for secondary school students who are interested in gaining career insights.

Through these initiatives we were able to impact over 2,000 youths across the country with a compelling message to keep dreaming and actively pursue those dreams.

The winners of our Unilever Nigeria 7th Edition IdeaTrophy Competition from Federal University of Technology, Owerri represented Africa and won 3rd Place at the Unilever Global Future Leaders League, putting Africa on the league's map for the first time at the event in London.

Our activities and impact in 2019 were also validated externally as Unilever Nigeria was again recognized as one of the Top Employers in Nigeria and in Africa, by the Top Employers Institute. We were also awarded 'Best Talent Acquisition Initiative' and 2nd Runner Up for overall HR Best Practice by Chartered Institute of Personnel Management Nigeria.

We will continue to focus on ensuring that employees feel valued and well equipped to be future-fit, whilst continuously refining our people-related processes and practices, to foster purposeful business growth and sustainable living.

**Safety, Health and Environmental Care (SHE) Policy**

In line with our Safety, Health and Environmental care (SHE) policy, we remain committed to providing a healthy, safe and secure work environment for employees, sub-contractors and visitors, and to continue to be responsible to the government and people of the communities where we operate. Our manufacturing sites in Oregun and Agbara have been certified to ISO 14001 and OHSAS 18001 global Safety, Health and Environment Standards, and we submit to regular audits to keep up to date. We identify health and safety hazards and manage / control risks such that we have recorded zero fatal / major injuries in our operations and strive to continue to prevent even minor injuries.

To drive and maintain SHE standards, Unilever employs robust systems and continuous improvements programs comprising employee engagement, behavioral safety audits, deep compliance audits, safety committees, safe travel and logistics safety initiatives, to name a few. We commence each week with a Safety Talk across the business and continually promote a culture of safety awareness with monthly educational campaigns on various topics like manufacturing line ownership, I care culture, environmental awareness, off- the - job safety etc. Periodically, we engage with regulatory agencies like the Federal Road Safety Corps (FRSC) to also assist to educate our employees and contractors on relevant safety matters.

The company continues to implement key Technical Safety Standards in the areas of processes, fire, construction, machines, electrical and risk assessments to continually benchmark ourselves against internationally acceptable standards, towards ensuring that our work equipment, processes and facilities are safe and secure for all stakeholders.

We drive a community partnership with other manufacturing colleagues to create a platform for collaborative emergency preparedness and response. We continue to aggressively drive initiatives such as waste reduction, recycle and re-use, energy reduction, water consumption reduction and "Zero Non-Hazardous Waste to Landfill", in order to reduce our environmental footprints and live up to our Unilever Sustainable Living Plan ideals.

The health and wellness of our employees is of great importance, and we continually deploy various programs to improve health, lifestyle and promote behavioral changes. Some of these programmes include "Preventive Medicine through Lamplighter" where employees are encouraged to carry out comprehensive health checks, promotion of mental resilience, travel medicine etc. There are also long–standing initiatives including 'Fit for Business' where employees are encouraged to live active lifestyles.

# Report of the directors (continued)

To set the right tone from the top, each member of our Leadership Team heads a SHE committee and leads the teams to ensure realization of all our SHE programs. Each employee, as well as contractors engaged on our business sites, remain committed to the principles of maintaining a healthy, safe and secure work environment that will propel us into further productivity.

### Quality Report

Our consumers expect a **great experience** every time they use our products and trust us to deliver it. Great quality is at the core of the **trust that our consumers place in us**, and our business is built on our quality promise - it keeps our **consumers safe**, builds **stronger brands** and is key to our **sustainable growth**. We have, over the last three years, maintained a strong record of Zero marketplace incidents as a result of the quality programs we deploy to drive a culture of excellence and continuous improvement across the business.

Leveraging digital technology, our Quality and Consumer Marketing Insight teams deployed the Digital Voice of the Consumer tool which had been launched globally, in Nigeria in the last quarter of 2019. This digital tool further keeps our consumer at the heart of our organization and aids us in using consumer connection and insight as key drivers of growth.

Also, in 2019, the first Unilever Connected for Growth program to take place in Africa held in Lagos. This program brings key Unilever employees from various teams, including Procurement, Quality, Research and Development, Brand and Legal, as well as some of our strategic partners into a forum focused on building collaboration and trust, and simplifying the governance around engaging with our supply partners. The resultant effect was increased speed to market and improved quality for growth. The platform was also useful for engaging our new local suppliers, helping them stabilize quickly into our ways of working towards delivery of great quality materials for our products.

During the 2019 World Quality Day, we came together as an organization to pay particular attention to the Voice of the Consumer, by jointly reviewing consumers' feedback, and turning insights into right actions.
Consumer love continues to sit at the heart of how we do business, positioning us to influence our consumers' choices and co-create better futures for them every day.

### A BUSINESS WITH A PURPOSE: OUR STRATEGY FOR SUSTAINABLE BUSINESS

It is now 90 years since British soap maker Lever Brothers and Dutch margarine producer Margarine Unie merged their operations to become Unilever in 1930. Both Lever Brothers and Margarine Unie were passionate about making quality products more affordable for the working class and improving social conditions for their workers. By coming together in 1930, they were able to take products and purpose to more people across the globe. We have come a long way since then, and today, our employees and brands still live by our founding belief that 'by focusing on doing good, we will end up doing well'.

Today we are a global company, with a turnover of over €53 billion and sales in more than 120 countries. We make many of the world's favourite brands and, every day, about 2.5 billion people use Unilever products to feel good, look good and get more out of life. These successes and the communities of people who trust our brands place a social responsibility on us, and through almost a century of growth, we have kept faith with our founding beliefs and this responsibility.

As our world continues to face increasingly difficult challenges, we believe that our business has a duty to society, to effect positive change. Some of the present challenges include:

# Report of the directors (continued)

- nearly 800 million people are without access to safe drinking water and over 2 billion without access to proper sanitation
- more than 2 million children die each year from preventable diarrhea disease
- 1 in 10 adults is obese while almost 1 billion go hungry
- climate change which is causing extreme weather changes
- over a billion people live in water-scarce areas
- increasing demand for food to feed a rapidly growing population; and many more.

At Unilever, we believe the world cannot wait and that businesses and brands must be part of the solution. Sustainable and equitable growth is the only acceptable business model today. So, in 2010, we launched the Unilever Sustainable Living Plan (USLP), which is the blueprint for how we conduct our business responsibly. In this model, we aim to decouple our growth from our environmental impact while increasing our positive social impact, driving profitable growth for our brands, saving costs and fueling innovation.

Our strategic vision is "to make sustainable living commonplace" by growing our business while reducing our environmental footprint and increasing our positive social impact. To achieve this vision, we will:

• Help people take action to improve their health and well-being.
• Enhance livelihoods, and
• Decouple growth from the environmental footprint of our products

## 2019 in review

### *Improved Health And Well-Being*

Our brands are positioned to help Nigerians take the actions they need to stay healthy and improve their wellbeing. We have active programs which help to address some of the specific challenges faced in the country, including the following:

**1. The Vaseline Healing Project**

Everyone deserves healthy skin and through the Vaseline Healing Project (VHP) in partnership with Direct Relief and Dermatologists in Nigeria, Vaseline provided dermatological training to Health Care Practitioners and skin care to patients. As part of the Unilever Sustainable Living Plan, the goal of the VHP is to help heal the skin of five million people living in poverty and crisis.

The first Vaseline Healing Project in Nigeria kicked off in 2019 with a two-day training of health professionals in the basic knowledge of managing skin conditions. This was followed up with a dermatological outreach to communities in Lagos.

The VHP team trained Doctors, Pharmacists and Community Health Workers and led an outreach to Makoko and surrounding communities in Lagos where Dermatologists and Unilever Volunteers offered free consultations to people with skin disorders. The entire project reached 120 Doctors, 40 Pharmacists, 20 Community Health Workers and over 400 patients from the communities.

This project is the start of an incredible journey for Vaseline as the brand contributes to the health and wellbeing of Nigerians; healing everyone's skin everywhere so they can fully participate in life.

**2. Pepsodent 'Brush Day and Night' Schools Program**

We aim to tackle the social menace of poor oral hygiene and tooth decay. In 2012, we launched the Pepsodent Brush Day and Night Oral health campaign, to improve oral health habits amongst Nigerian children.

# Report of the directors (continued)

Together with partners and relevant stakeholders in the health sector, we took a 21-day behavior change programme to primary schools across Nigeria to educate and motivate kids to adopt good oral hygiene habits. By educating the children on the essence of brushing day and night, we encourage them to stay healthy, happy and lead a more enjoyable and fulfilled life.

The oral health schools programme has directly reached over 5 million Nigerian children in government primary schools across the country with our message, our products, free educational materials, behavior change ambassadors and through World Oral Health Day events.

***Enhancing Livelihoods***

Global and local economic challenges, unemployment and poverty have impacted the spending power of families around the world. Reduced disposable income means that families must prioritize necessities and cannot invest in health, wellbeing, and the accoutrements of a good quality of life. The impact of this can be particularly hard on vulnerable groups such as women and children.

As we are committed to contributing to the prosperity of the communities in which we do business and the economic wellbeing of our consumers, we provide access to opportunities and resources for improved livelihood.

### 3. Creating Women 'Microprenuers'

Extreme poverty remains a significant problem in our part of the world; more than 90 million Nigerians live in extreme poverty today. In our attempt to do something about this problem, we created a program called Shakti (which means 'Empowered') in 2014, which is creating an inclusive society by providing business training and funding, and thereby livelihoods, to women in rural areas. We work at simultaneously empowering these women and expanding our last-mile distribution into uncharted regions of rural Nigeria. We now have 4,000 Shakti women across the country who are making a living and feeling included in a more sustainable existence. Our Shakti women are today more confident about meeting their family's needs, and some can now dare to dream of owning their own houses.

The Shakti initiative seeks to empower 10,000 less privileged women in Nigeria by making them Unilever retailers at the grassroots.

### Protecting the Environment in which we Operate

About 16 million tonnes of plastic are generated in Nigeria every year, and most of it still sits around in the environment. This problem heightens the need for businesses to support government initiatives to solve the plastic problem.

### 4. The Recycle Exchange Initiative

In 2017, Unilever committed to a Recycling Exchange partnership with local social enterprise, Wecyclers, towards creating a circular economy that translates waste to wealth. While Wecyclers has been at the forefront of the Waste-to-Wealth initiative, our Recycling Exchange partnership has turned out to be a significant turning point in bringing recycling to even more low-income communities.

Shipping containers which have been remodelled and repurposed, have been situated at conspicuous parts of Lagos in Iyana-Ipaja, Lekki Phase 1, Ikorodu, Lagos Island, Gbagada and Jakande in an extension of a drop-off model of recyclable waste reclamation. The program has collected tons of waste, and the initiative has created financial inclusion for the low-income earners involved while preventing flooding and the attendant diseases in these areas. The setups have also spawned job opportunities and serve as a continuous repository of recycling information for these communities.

# Report of the directors (continued)

We are tackling the challenges that come with an initiative like this courtesy of new ideas for expansion and the commitment of Unilever and Wecyclers to the effort. Our drive to see the establishment of a circular economy approach to recyclable waste only gets stronger because every win for the Recycle Exchange program is effectively a win for communities.

**Outlook for 2020**

The business case for growing our company sustainably is increasingly compelling; consumers expect it, and our customers increasingly demand it. It drives innovation and market development, saves money and avoids costs. It also inspires the people who work for us. It is not just about doing good; it is also about doing well. So, even as our sustainability activities improve the lives and wellbeing of those we serve, it is also an investment in the growth and resilience of our business.

In 2020, while we have the mandate to continue to deliver business value for our shareholders, we also have a class of stakeholders to whom we are beholden as a business – these are the everyday people in our society. It is our responsibility to them to conduct our business responsibly, to help them make the decisions and take the actions that will improve their health, wellbeing and the environment in which they live. It is our commitment to them to make sustainable living commonplace.

**A FULL REPORT OF OUR SUSTAINABILITY INITIATIVES WILL BE PUBLISHED IN A COMPREHENSIVE, STAND-ALONE SUSTAINABILITY REPORT**

| | 2019 | 2018 |
|---|---|---|
| **Corporate Social Responsibility** | **N'000** | **N'000** |
| Secondary school scholarships | 11,600 | 10,800 |
| Donation of products to schools, charity homes, corporate organizations etc. | 20,174 | 32,656 |
| | **31,774** | **43,456** |

# Report of the directors (continued)

**Unilever Nigeria Distribution Partners & Key Distributors**

| NAME | REGION |
|---|---|
| FAREAST MERCANTILE CO. LTD | Strategic Partner |
| GAME DISCOUNT WORLD LIMITED | Key Accounts |
| GRAND SQUARE SUPERMARKET & STORES LTD | Key Accounts |
| PARK N SHOP | Key Accounts |
| RETAIL SUPERMARKETS LIMITED | Key Accounts |
| CANIZ IKOTUN | Lagos |
| CHRISLANBOLU TRADE & ENG. SERV. LTD | Lagos |
| DE MOSHADEK AND COMPANY NIGERIA | Lagos |
| HATS INVESTMENT AND PROMOTIONS LTD | Lagos |
| ITURA VENTURES LIMITED | Lagos |
| ITURA VENTURES SUPERMARKETS | Lagos |
| J A ONABOWALE | Lagos |
| LOBIC GLOBAL MERCHANTILE COY | Lagos |
| M. F. ORE AWO NIGERIA LTD | Lagos |
| MAQUAHM NIGERIA LIMITED - KD3 | Lagos |
| MUTKEEM CONCEPT | Lagos |
| RENUZI SUPERMARKET | Lagos |
| RENUZI VENTURES | Lagos |
| RENUZI VENTURES -LEKKI | Lagos |
| SAM & MARTHA -AJEGUNLE | Lagos |
| SAM AND MARTHA INVESTMENT LTD | Lagos |
| SUARA & COMPANY | Lagos |
| TRIPPLE P DAZZLED | Lagos |
| VANCREST GLOBAL VENTURES | Lagos |
| WORTHY VENTURES LIMITED | Lagos |
| ADEBIYI & SONS NIGERIA SUPERMARKETS | Middle Belt |
| ALAKASS NIGERIA ENTERPRISES | Middle Belt |
| ARINOLA PRECIOUS VENTURES | Middle Belt |
| AUB AND SONS INTEGRATED SERVICES | Middle Belt |
| DOM BEE NIGERIA LIMITED | Middle Belt |
| DUPET LIGHT INTERNATIONAL LTD. | Middle Belt |
| GIZ-TECH ENT. LTD | Middle Belt |
| IDUH INTEGRATED SERVICES - KD3 Lokoja | Middle Belt |
| IDUH INTEGRATED SERVICES NIG LTD | Middle Belt |
| IDUH INTEGRATED SERVICES NIG LTD | Middle Belt |
| IFJANE NIGERIA LIMITED | Middle Belt |
| J A ONABOWALE AND SONS LIMITED | Middle Belt |
| J J NNOLI AND SONS | Middle Belt |
| J.O ADEBIYI & SONS NIGERIA LTD | Middle Belt |
| KESY DISTRIBUTION AND LOGISTIC LTD | Middle Belt |
| KISH N KIT NIGERIA LIMITED | Middle Belt |
| LASUN DAN MAMA NIGERIA LIMITED | Middle Belt |
| MUABSA INTEGRATED SERVICES | Middle Belt |
| OLAYIWOLA GBADAMOSI COMPANY NIGERIA LTD. | Middle Belt |
| OLONAASUNDE VENTURES | Middle Belt |
| RICKMEN HEALTHCARE LIMITED | Middle Belt |
| SIDI AND SONS BUSINESS SOLUTIONS NIG LTD | Middle Belt |

# Report of the directors (continued)

**Unilever Nigeria Distribution Partners & Key Distributors (continued)**

| NAME | REGION |
|---|---|
| A D BASHARU AND SONS (NIG) LIMITED | North East |
| A.D. BASHARU & SONS NIG LTD JALINGO | North East |
| ABUBAKAR ADAMU INTEGRATED SERV. NIG. LTD | North East |
| BABA GANA MAFONI | North East |
| LAWALTI GENERAL ENTERPRISE | North East |
| NAHEEM HEIGHTS LIMITED | North East |
| NAHUWA GENERAL ENTERPRISE | North East |
| S C OKAFOR NIGERIA LIMITED | North East |
| AL BABELLO SUPERMARKETS | North West |
| AL-BABELLO GASAU | North West |
| ALBABELLO TRADING CO. LTD KEBBI | North West |
| AL-BABELLO TRADING COMPANY LIMITED | North West |
| AL-BABELLO TRADING COMPANY LTD - KATSINA | North West |
| ALHAJI ABU ZAMAU ENTERPRISES | North West |
| ARMU GLOBAL CONCEPT | North West |
| PRIME GENERAL MERCHANTS LIMITED | North West |
| SDS PLAZA LIMITED North | North West |
| PAXSON NIGERIA COMPANY LIMITED | Strategic Partner |
| BEEHIVES MULTINATIONAL LIMITED | South Central |
| BLESSED IYKE STORES | South Central |
| CHARLES AMAN NIGERIA LIMITED | South Central |
| CHUDUAK LIMITED | South Central |
| CITO INT'L NIG. LTD KD3 | South Central |
| COK ROYAL LINK VENTURES KD3 | South Central |
| GLOBALOG ENTERPRISES | South Central |
| H O NWOJI ENTERPRISES SUPER MARKET | South Central |
| HUMPHREY OKECHUKWU NWOJI ENTERPRISE | South Central |
| IBOKIES NIGERIA COMPANY | South Central |
| M.E UGBOR AND BROTHERS NIG LTD | South Central |
| PRENICA AND COMPANY NIGERIA LIMITED | South Central |
| RICKAFE SERVICES LIMITED | South Central |
| STEVE SYLVER NIGERIA LIMITED | South Central |
| SYLIKA GLOBAL RESOURCES ENTERPRISES | South Central |
| TIVO CORPORATE SERVICES INT’L LTD | South Central |
| TIVO CORPORATE SERVICES INT’L LTD SAPELE | South Central |
| URSULASAM VENTURES | South Central |
| VOSA-VOJI LIMITED | South Central |
| B N IGWE AND SONS | South East |
| BURNAE VENTURES | South East |
| CY OBIORA NIG ENTERPRISES | South East |
| ELAUG -15 PROVEST LTD | South East |
| ELERU BRAND LTD | South East |
| G.N CHUKWU & SONS ENTERPRISES | South East |
| IGBOZULIKE INVESTMENT LIMITED | South East |
| ISANGETTE ENTERPRISES | South East |

# Report of the directors (continued)

**Unilever Nigeria Distribution Partners & Key Distributors (continued)**

| NAME | REGION |
|---|---|
| G.N CHUKWU & SONS ENTERPRISES | South East |
| IGBOZULIKE INVESTMENT LIMITED | South East |
| ISANGETTE ENTERPRISES | South East |
| KAIMA INTEGRATED NETWORK VENTURES LTD | South East |
| LYG ENTERPRISE - SUPERMARKET | South East |
| P O KONYEHA AND SONS | South East |
| PARADISE BAKERIES LTD | South East |
| MARGINAL CONCEPTS LTD | South East |
| IGWT WORLDWIDE CONCEPT LTD | South East |
| JANCY INTEGRATED SERVICES | South East |
| RONALD RESOURCES LTD - SUPERMATKET | South East |
| THEO AND POWELL SERVICES LIMITED | South East |
| TOMIESHA PRO RESOURCES LTD | South East |
| AJOKE DOMINION SERVICES LIMITED | West |
| DAN SARAT COMPANY NIG LTD | West |
| DAVID UTHMAN LTD | West |
| DEBBY MEGA MERCHANTS - KD3 | West |
| DEBBY MEGA MERCHANTS LIMITED | West |
| ESTFRANS VENTURES LIMITED | West |
| HASBAR INVESTMENT NIGERIA LIMITED | West |
| J O ADEGBOYEGA ENTERPRISES | West |
| JOHN BOSCO TRADING COMPANY LTD | West |
| MARZAB MULTIVENTURES | West |
| NIJI GLOBAL CONCEPT LIMITED | West |
| R S ABIMBOLA (NIGERIA) ENTERPRISES | West |
| R.S. ABIMBOLA ENTERPRISES (OSOGBO) | West |
| THE LORDS DOING G.C.S LTD | West |
| TORIOLA OLU ENTERPRISES | West |
| TSQ ALAYO & SONS NIGERIA LTD | West |
| UNRULY VENTURES SUPERMARKET | West |
| Wharton Harper Nig. Limited | Strategic Partner |

**Independent auditor**

KPMG Professional Services are Independent Auditors to Unilever Nigeria Plc.

**By Order of the Board**

**Mrs. Abidemi Ademola**
General Counsel GN & Company Secretary
FRC/2013/NBA/00000001646

12 March 2020

# Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2019

The directors accept responsibility for the preparation of the annual Financial Statements set out on pages 35 to 97 and confirm that they give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria 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.

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.

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

| | | |
|---|---|---|
| | DocuSigned by: Carl Cruz 8AEE7BE098F9447... | |
| His Majesty N.A. Achebe CFR, MNI | Carl Cruz | Adesola Sotande-Peters |
| Chairman | Managing Director | Vice- President Finance |
| FRC/2013/NIM/00000001568 | | FRC/2015/ICAN/00000010834 |
| 12 March 2020 | 12 March 2020 | 12 March 2020 |

# Report of the Audit Committee to the members of Unilever Nigeria Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Unilever Nigeria Plc. hereby report as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 and we acknowledge the cooperation of management and staff in the conduct of these responsibilities.
We confirm that:

1. The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.
2. The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal control systems.
3. We have considered the independent auditors' post-audit report in respect of year ended 31 December, 2019 and management responses thereon, and are satisfied thereto.

**Members of the Audit Committee are:**

| | | | |
|---|---|---|---|
| 1. | Mr David Oguntoye | - | Chairman & Shareholders' Representative |
| 2. | Alhaji Wahab A. Ajani | - | Shareholder's Representative |
| 3. | Mr Kolawole Durojaiye | - | Shareholder's Representative |
| 4. | Mrs Abiola Alabi | - | Non-Executive Director |
| 5. | Ammuna Lawan-Ali | - | Non-Executive Director |
| 6. | Mr Chika Nwobi | - | Non-Executive Director |

Dated this 11 March, 2020

Mr David Oguntoye
**Chairman**
FRC/2013/ANAN/00000002787

**KPMG Professional Services**
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Unilever Nigeria Plc**

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Unilever Nigeria Plc ("the Company") which comprise the statement of financial position as at 31 December 2019, statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information, as set out on pages 35 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (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 Matters*

Key audit matters are those matters that, in our professional judgment, 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, and we do not provide a separate opinion on these matters.

a. **Accuracy of revenue**

Refer to summary of significant accounting policies (Note 2.13) and right of return (Note 4(b)) on pages 53 and 58 respectively of these financial statements.

| The Key Audit Matter | How the matter was addressed in our audit |
| --- | --- |
| The Company earns revenue from the sale of food/refreshments and home/personal care consumer goods to customers in and outside Nigeria.<br><br>For the year ended 31 December 2019, revenue amounted to ₦60.5 billion which was a significant reduction of 35% in comparison to prior year of ₦92.9 billion.<br><br>This is considered a key audit matter due to the significance of revenue to the users of the financial statements and the assumptions involved in estimating the refund liability. | Our procedures included the following;<br><br>- obtained an understanding of the Company's sales process and tested the design, implementation and operating effectiveness of the relevant controls.<br><br>- agreed a sample of revenue (including discounts and rebates) recognized for the year to invoices and delivery waybills acknowledged by the customer.<br><br>- performed analytical procedures over sales discounts and rebates.<br><br>- challenged the assumptions made in estimating the refund liability and measuring the right to recover returned goods asset based on our knowledge of the industry, Company's business and a retrospective review of the estimate in prior year<br><br>- assessed the adequacy of the refund liability by comparing the actual returns subsequent to year end to the refund liability recognized.<br><br>- assessed whether adequate sales cut-off procedures were performed.<br><br>- held inquiries with certain key distributors<br><br>- evaluated the adequacy of the Company’s financial statement disclosures in respect of revenue. |

**b. Impairment of property, plant and equipment**

Refer to summary of significant accounting policies (Note 2.2 and 2.4) and property, plant and equipment (Note 14) on pages 44, 45 and 64 respectively of these financial statements.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| During the year, the directors identified certain idle assets relating mainly to plant and machinery. The assets were assessed to be idle due to technological obsolescence and outsourcing of some production processes requiring their use to third parties. These circumstances indicated that there were potential indicators of impairment of these assets. Accordingly, management estimated that the impact of this impairment amounted to ₦1.3 billion as at 31 December 2019.<br><br>This is considered a key audit matter due to the significant judgments and estimate required in evaluating the impairment allowance. | Our procedures included the following;<br><br>- obtained an understanding of the Company's impairment of asset process.<br><br>- evaluated management's assessment of impairment indicators as at year end.<br><br>- performed a physical verification of a select sample of idle assets.<br><br>- inspected the minutes of board meetings for the Company's plans for these idle assets<br><br>- tested the appropriateness and adequacy of the impairment loss on the idle assets recognised in this respect.<br><br>- evaluated the adequacy of the Company's financial statement disclosures in respect of property, plant and equipment. |

***Other Information***

The Directors are responsible for the other information. The other information comprises the Unilever Purpose and Values, Unilever Corporate Profile, Board of Directors, Officers and Other Corporate Information, Results at a glance, Board Profile, Report of the Directors, Statement of Directors' Responsibilities in relation to the financial statements for the year ended 31 December 2019, Report of the Audit Committee to the members of Unilever Nigeria PLC and other National Disclosures (but does not include the financial statements and our auditor report thereon), which we obtained prior to the date of this auditor's report. It also includes additional other information such as the Notice of Annual General Meeting, Chairman's Statement, Shareholders' Information, amongst others (together "Outstanding Reports) which are expected to be available to us after the date.

Our opinion on the financial statements does not cover the other information and we do not express 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.

When we read the Outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***Responsibilities of the Directors for the Financial Statements***
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 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 Audit Committee 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 Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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**

*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004*

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and statement of other comprehensive income agree with the books of account.

*Signed:*

**Goodluck C. Obi, FCA**
FRC/2012/ICAN/00000000442
For: KPMG Professional Services
Chartered Accountants
30 March 2020
Lagos, Nigeria

# Statement of profit or loss
**For the year ended 31 December**

| | Note | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 60,486,835 | 92,899,969 |
| Cost of sales | 5 | (55,737,010) | (64,674,847) |
| **Gross profit** | | 4,749,825 | 28,225,122 |
| Selling and distribution expenses | 5 | (3,151,738) | (4,239,077) |
| Marketing and administrative expenses | 5, 9(a) | (13,247,563) | (14,712,986) |
| Impairment loss on trade and intercompany receivables | 17(vi) | (200,042) | (311,443) |
| Other income | 6 | 86,299 | 236,160 |
| **Operating (loss)/ profit** | | (11,763,219) | 9,197,776 |
| Finance income | 10 | 2,144,815 | 4,026,932 |
| Finance cost | 11 | (135,869) | (602,800) |
| **(Loss)/ profit before minimum taxation** | | (9,754,273) | 12,621,908 |
| Minimum tax expense | 12(iv) | (317,670) | - |
| **(Loss)/ profit before taxation** | | (10,071,943) | 12,621,908 |
| Income tax credit/(expense) | 12(i) | 2,652,269 | (3,489,756) |
| **(Loss)/ profit from continuing operations** | | (7,419,674) | 9,132,152 |
| **Discontinued operations** | | | |
| Profit from discontinued operations | 34(i) | - | 1,419,988 |
| **(Loss)/ profit for the year** | | (7,419,674) | 10,552,140 |
| **Earnings per share for profit attributable to equity holders:** | | | |
| Basic and diluted earnings per share (Naira) | 13 | (1.29) | 1.84 |
| Basic and diluted earnings per share (Naira) - continuing operations | 13 | (1.29) | 1.59 |

The notes on pages 41 to 98 form an integral part of these financial statements.

# Statement of other comprehensive income

**For the year ended 31 December**

| | Note | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|---|
| **(Loss)/ profit for the year** | | (7,419,674) | 10,552,140 |
| **Other comprehensive (loss)/ income** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of post employment benefit obligations | 21(vi) | (329,428) | 176,865 |
| Tax effect | 12 | 105,417 | (56,597) |
| **Total comprehensive (loss)/ income** | | (7,643,685) | 10,672,408 |

The notes on pages 41 to 98 form an integral part of these financial statements.

# Statement of financial position
**As at 31 December**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14(i) | 31,957,420 | 29,677,539 |
| Intangible assets | 15 | 225,933 | 448,488 |
| Other non- current assets | 32 | - | 48,353 |
| Employee loan receivable | 33 | - | 65,531 |
| Retirement benefit surplus | 21(v) | 35,292 | 293,219 |
| | | 32,218,645 | 30,533,130 |
| **Current assets** | | | |
| Inventories | 16 | 11,869,295 | 13,928,867 |
| Trade and other receivables | 17(i) | 24,131,026 | 30,188,189 |
| Employee loan receivable | 33 | - | 49,005 |
| Cash and cash equivalents | 18 | 35,458,553 | 57,144,182 |
| | | 71,458,874 | 101,310,243 |
| **Total assets** | | 103,677,519 | 131,843,373 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 34,719,709 | 38,610,839 |
| Income tax | 12 | 88,375 | 4,555,820 |
| Loans and borrowings | 28 | - | 394 |
| | | 34,808,084 | 43,167,053 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 20 | 894,439 | 3,652,125 |
| Unfunded retirement benefit obligations | 21(iv) | 422,830 | 2,021,360 |
| Long service award obligations | 21(iv) | 318,096 | 209,510 |
| Loans and borrowings | 28 | 705,720 | 3,782 |
| | | 2,341,085 | 5,886,777 |
| **Total liabilities** | | 37,149,169 | 49,053,830 |

# Statement of financial position (continued)

**As at 31 December**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **Equity** | | | |
| Ordinary share capital | 31 | 2,872,503 | 2,872,503 |
| Share premium | 31 | 56,812,810 | 56,812,810 |
| Retained earnings | | 6,843,037 | 23,104,230 |
| **Total equity** | | 66,528,350 | 82,789,543 |
| **Total equity and liabilities** | | 103,677,519 | 131,843,373 |

The financial statements were approved for issue by the Board of Directors on 12 March 2020 and signed on its behalf by:

DocuSigned by:
8AEE7BE098F9447...

His Majesty N.A. Achebe CFR, MNI
Chairman
FRC/2013/NIM/00000001568

Carl Cruz *
Managing Director

Adesola Sotande-Peters
Finance Director
FRC/2015/ICAN/00000010834

*The Financial Reporting Council (FRC) granted a waiver to the Managing Director to sign the financial statements without indicating any FRC registration number. His FRC number will be obtained in due course.

The notes on pages 41 to 98 form an integral part of these financial statements.

# Statement of changes in equity

**For the Year ended 31 December 2019**

| | Share capital ₦'000 | Share premium ₦'000 | Retained earnings ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| Balance at 1 January 2018 as previously reported | 2,872,503 | 56,812,810 | 16,223,062 | 75,908,375 |
| Adjustment on initial application of IFRS 9, net of tax | - | - | (918,737) | (918,737) |
| **Restated balance on 1 January 2018** | 2,872,503 | 56,812,810 | 15,304,325 | 74,989,638 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | - | - | 10,552,140 | 10,552,140 |
| **Other comprehensive income** | | | | |
| Remeasurement on post employment benefit obligations, net of tax (Note 21 (vi)) | - | - | 120,268 | 120,268 |
| | - | - | 10,672,408 | 10,672,408 |
| **Transactions with owners** | | | | |
| Dividend declared (Note 19 (i)) | - | - | (2,872,503) | (2,872,503) |
| | - | - | (2,872,503) | (2,872,503) |
| At 31 December 2018 | 2,872,503 | 56,812,810 | 23,104,230 | 82,789,543 |
| Balance at 1 January 2019 | 2,872,503 | 56,812,810 | 23,104,230 | 82,789,543 |
| **Total comprehensive income for the year** | | | | |
| Loss for the year | - | - | (7,419,674) | (7,419,674) |
| **Other comprehensive income** | | | | |
| Remeasurement on post employment benefit obligations, net of tax (Note 21 (vi)) | - | - | (224,011) | (224,011) |
| | - | - | (7,643,685) | (7,643,685) |
| **Transactions with owners** | | | | |
| Dividend declared (Note 19 (i)) | - | - | (8,617,508) | (8,617,508) |
| | - | - | (8,617,508) | (8,617,508) |
| At 31 December 2019 | 2,872,503 | 56,812,810 | 6,843,037 | 66,528,350 |

The notes on pages 41 to 98 form an integral part of these financial statements.

## Statement of cash flows

**For the Year ended**

| | Note | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|---|
| Cash generated from operations | 23 | (5,018,972) | 12,166,084 |
| Retirement benefits paid | 21(iv) | (2,302,786) | (2,190,856) |
| Long service award obligations paid | 21(iv) | (33,774) | (31,098) |
| Tax paid | 12(ii) | (4,168,785) | (3,000,960) |
| **Net cash flow (used in)/ generated from operating activities** | | (11,524,317) | 6,943,170 |
| **Cash flows from investing activities** | | | |
| Interest received | 10 | 2,144,815 | 3,431,603 |
| Purchase of property, plant and equipment | 14(i) | (6,511,071) | (5,395,511) |
| Proceeds from sale of property, plant and equipment | | 32,362 | 5,057,411 |
| **Net cash flow (used in)/ generated from investing activities** | | (4,333,894) | 3,093,503 |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowing | 28(ii) | (4,176) | (536,533) |
| Interest paid | 28(ii) | - | (25,726) |
| Dividend paid | 19(i) | (5,820,974) | (2,872,503) |
| **Net cash flow used in financing activities** | | (5,825,150) | (3,434,762) |
| Net (decrease)/ increase in cash and cash equivalents | | (21,683,361) | 6,601,911 |
| Impact of foreign exchange movement on cash balance | | (2,268) | 48,676 |
| Cash and cash equivalents at the beginning of the year | | 57,144,182 | 50,493,595 |
| **Cash and cash equivalents at the end of the year** | 18 | 35,458,553 | 57,144,182 |

The notes on pages 41 to 98 form an integral part of these financial statements.

# Notes to the financial statements

## 1 Basis of accounting

### 1.1a Statement of compliance

The financial statements of Unilever Nigeria Plc ("Unilever" or "the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in the manner required by the Companies and Allied Matters Act, Cap 20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

This is the first set of the Company's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 1.5.

These financial statements were authorised for issue by the Company's board of directors on 12 March 2020.

### 1.1b Basis of measurements

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

| Items | | Measurement basis |
|---|---|---|
| Derivative financial instruments | - | Fair value |
| Inventories | - | Lower of cost and net realisable value |
| Liabilities for cash settled share | - | Fair value |
| Non-derivative financial instruments | - | Initially at fair value and subsequently at amortised cost using effective interest rate |
| Defined benefit obligation | - | Present value of the obligation |
| Plan asset of defined benefit | - | Fair value |

### 1.2 Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Company's functional and presentation currency, rounded to the nearest thousand (N'000) unless otherwise indicated.

### 1.3 Going concern

Nothing has come to the attention of the directors to indicate that Unilever will not remain a going concern for at least twelve months from the date of approval of these financial statements.

### 1.4 Standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing the Company's financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements

- *Definition of Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Amendments to References to Conceptual Framework in IFRS*
- *IFRS 17 Insurance Contracts*

# Notes to the financial statements (continued)

## 1.5 Changes in significant accounting policies

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

### A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.15.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

### B As a lessee

As a lessee, the Company leases consist mainly of warehouses. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property, the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

*i. Leases classified as operating leases under IAS 17*

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate of 17.5% as at 1 January 2019. Right-of-use assets are measured at either:

– their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

# Notes to the financial statements (continued)

## 1.5 Changes in significant accounting policies (continued)

*i. Leases classified as operating leases under IAS 17 (continued)*

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:
– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
– used hindsight when determining the lease term.

*ii. Leases classified as finance leases under IAS 17*

The Company does not have any leases classified as finance leases under IAS 17

### C As a lessor

The Company does not have any investment property and does not lease out any of its property, plant and equipment.

### D Impact on transition

On transition to IFRS 16, the Company recognised right-of-use asset and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

| | 1 January 2019 |
|---|---|
| | N'000 |
| Right-of-use assets – property, plant and equipment | 43,411 |
| Prepayments - Trade and other receivables | (43,411) |
| Retained earnings | - |

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 17.5%.

## 2.1 Discontinued operations

A discontinued operation is a component of the Company's business, the operations and
- represents a major line of business or geographic area of operations
geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

# Notes to the financial statements (continued)

**2 Summary of significant accounting policies (continued)**

## 2.2 Property, plant and equipment

*(i) Recognition, derecognition and measurement*

The cost of an item of property, plant and equipment 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 stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant 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.

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are measured by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in the statement of profit or loss.

*(ii) Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial year in which they are incurred.

*(iii) Depreciation*

The estimated depreciation rates of property, plant and equipment for current and comparative periods are as follows:

| | | |
|---|---|---|
| Leasehold land | - | Nil |
| Buildings | - | 2.5% |
| Plant and machinery | - | 7% |
| Furniture and equipment | - | 7% - 25% |
| Motor vehicles | - | 25% |

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the statement of profit or loss.

The capital work-in-progress represents buildings and plant and machinery under construction and other property, plant and equipment not available for use in the manner intended by management.

Depreciation method, assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

## 2.3 Intangible assets

*Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.3 Intangible assets (continued)

- it is technically and commercially feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development of the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight line basis in the income statement over their estimated useful lives, which does not exceed eight and a half years. These costs are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation method, assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

### 2.4 Impairment of non-financial assets

At each reporting period, the Company reviews the carrying amount of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

An impairment loss is recognised for non-financial assets when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets not yet available for use are tested for impairment annually. Impairment losses are recognized in the income statement. All other non-financial assets are assessed for indicators of impairment at the end of each reporting period.

### 2.5 Financial instruments

#### 2.5.1 Recognition and initial measurement

Financial instruments (i.e. financial assets and liabilities) are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.5 Financial instruments (continued)

### 2.5.2 Classification and subsequent measurement

Management determines the classification of its financial instruments at initial recognition.

*(i) Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding

*Financial assets - Subsequent measurement and gains and losses*

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains & losses including any interest or dividend income are recognised in the statement of profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the statement of profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the income statement. Other net gains or losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of profit or loss. |

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets

# Notes to the financial statements (continued)

**2 Summary of significant accounting policies (continued)**

*(ii) Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the income statement.

**2.5.3 Derecognition**

**- Financial assets**

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset or the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**- Financial liabilities**

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cashflows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

**2.5.4 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.6 Impairment of financial assets**

*Non- derivative financial assets*

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost

The Company measures loss allowances at an amount equal to lifetime ECLs, except for other debt securities and bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12 month ECL.

The ECL for trade and other receivables are estimated using a provision matrix that is based on the Company's historical credit loss experince adjusted for factors that are specific to the debtors general economic conditions and an assessment of both current as well as forecast direction of conditions as at reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

## 2.6 Impairment of financial assets (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full without recourse by the Company to actions such as realising security (if any is held) or

- the financial asset is more than 180 days past due

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial asset

The Company considers intercompany receivables to have a lower credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit- impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract, such as a default or being more than 180 days past due

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it 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.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. An impairment loss is recognised if the gross carrying amount of the assets exceeds its estimated recoverable amounts. Impairment losses are recognised in profit or loss.

*Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

## 2.6 Impairment of financial assets (continued)

### 2.7 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.8 Inventories

Inventories are measured at the lower of cost and estimated net realisable value less allowance for obsolete and damaged inventories. A detailed review of slow moving and obsolete stocks is carried out on a monthly basis and an allowance is booked based on a realistic estimate. Cost is based on standard costing that comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials and work in progress are stated at standard cost while cost of finished goods, engineering spares and other items of inventories is calculated using the weighted average method. Standard cost is reviewed periodically to ensure it consistently approximates historical cost. Net realisable value represents the estimated selling price less all estimated costs of selling expenses.

### 2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash at bank and in hand plus short-term deposits less overdrafts and short-term working capital loans. Short-term deposits have a maturity of three months or less from the date of acquisition, are readily convertible to cash and are subject to an insignificant risk of change in value. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

### 2.10 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The present value is derived by discounting the expected future cashflows at a pre-tax rate. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

# Notes to the financial statements (continued)

## 2.10 Provisions (continued)

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

## 2.11 Income tax

Income tax expense comprises current tax (company income tax, tertiary education tax, Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

*(i)* *Current income tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Total amount of tax payable under Company Income Tax Act is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.
The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

*(ii)* *Deferred income tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

# Notes to the financial statements (continued)

**2 Summary of significant accounting policies (continued)**

*(ii) Deferred income tax (continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

Deferred tax assets and liabilities are presented as non-current in the statement of financial position.

*(iii) Minimun tax*

The Company is subject to the Finance Act as enacted, which amends the Company Income Tax Act (CITA). Total amount of tax payable under this is determined based on the higher of two components; Company Income Tax Act on taxable income (or loss) for the year, and minimum tax (determined based on 0.5% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit are treated as income tax in line with IAS 12, whereas minimun tax based on gross amount is outside the scope of IAS 12 and therefore not presented as tax expense in the statement of prfit or loss.

The liability is recognised under trade and other payables in the statement of financial position.
Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

**2.12 Employee benefits**

***(a) Post-employment benefit plans***

The Company operates a defined contribution benefit scheme, an unfunded defined benefit service gratuity scheme for its employees; and a funded post-employment benefit plan.

*(i) Defined contribution scheme*

The Company operates a defined contribution plan in line with the Pension Reform Act 2014. The contributions are recognised as employee benefit expenses when they are due. The Company has no further payment obligation once the contributions have been paid. The contribution made towards securing the future benefits in the scheme is as follows:

| Staff | Management staff | Non-management |
|---|---|---|
| Employer | 10% | 10% |
| Employee | 8% | 10% |

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.12 Employee benefits (continued)

### *(a)* Post-employment benefit plans (continued)

*(ii) Defined benefit plans*

The Company also operates both an unfunded defined benefit service gratuity scheme and a funded benefit plan. The level of benefit provided is based on the length of service and terminal salary of the person entitled. The defined benefit plan surplus or deficit in the statement of financial position comprises the total for each plan of the fair value of plan assets less the present value of the defined benefit obligation (using a discount rate based on federal government bonds in issue as at the reporting date).

The cost of defined benefit plans is determined using the projected unit credit method. The liability recognised in the statement of financial position in respect of the unfunded defined benefit service gratuity scheme is the present value of the defined benefit obligation at the reporting date. With respect to the funded benefit plan, the related pension liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Actuarial valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the market yield on government bonds at the calculation date and reflects the duration of the liabilities of the benefit plan.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income without recycling to the income statement in subsequent periods. Current service cost, the recognized element of any past service cost and the net interest cost arising on the pension liability are included in the same line items in the income statement as the related compensation cost.

### *(b) Other long term employee benefits*

The Company measures long term employee benefits using the same accounting policies for defined benefit plans except for remeasurements which are recognised in income statement in the period in which they arise.

### *(c) Share-based payment transaction - Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using a pricing model similar to the 'projected unit credit method'. The fair value of the amount payable is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

### *(d) Short term employee benefits*

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

# Notes to the financial statements (continued)

## 2.13 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue at a point in time when it transfers control over a product or service to a customer.

The Company principally generates revenue from the sale and delivery of its products. The sale and delivery of products are identified as one performance obligation and are not separately identifiable. The Company recognises revenue when the customer takes possession of the goods. This usually occurs when the customer signs the invoice. The amount of revenue is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods assets are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 19) and the right to receive returned goods is included in inventory (Note 16).

The Company reviews its estimates of expected returns at each reporting date and updates the amounts of assets and liability accordingly.
See note 26 for details of revenue disaggregated by business category and geographical location

## 2.14 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

*Policy applicable from 1 January 2019*
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

*i.* *As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.14 Leases (continued)

*i. As a lessee (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.
The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

# Notes to the financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.14 Leases (continued)

*ii. As a lessor*

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease . The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

*Policy applicable before 1 January 2019*

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

All other leases are accounted for as finance leases. Finance leases relate to various leasehold land properties which the Company holds the right to use for between 50 and 99 years. The Company has retained significant risks and rewards over the use of these properties, including construction of its offices and factories, and is responsible for maintaining the properties. The leasehold land were acquired under the Land Use Act, and payments were made upfront. There are no annual lease repayments connected with these leases.

Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

# Notes to the financial statements (continued)

### 2.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

### 2.16 Finance income and finance cost

Finance income and finance costs are recognised using the effective interest rate method.

Finance income includes interest received or receivable on balances and deposits with banks, exchange differences (excluding differences on payables to foreign suppliers which has been included in cost of sales) and derivative gains on derivative financial assets.

Finance cost includes interest on borrowings, interest charge related to defined benefit plans, gains or losses arising on the early settlement of debt, exchange difference on non-derivative financial assets and liabilities (excluding differences on paybles to foreign suppliers which has been included in cost of sales) and derivative losses on derivative financial liabilities.

### 2.17 Share capital and share premium

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

When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over their par value is recorded in the share premium reserve.
All ordinary shares rank equally with regard to the Company residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entited to one vote per share at general meetings of the Company. Incremental assets direclty attributable to the issue of ordinary shares are recognised as a deduction from equity net of any tax effects.

## 3. Critical accounting estimates and judgements

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are:

**Judgements**

**(i)** lease term: whether the Company is reasonably certain to exercise extension options (Note 2.14)

# Notes to the financial statements (continued)

**Estimates**

**(i) Retirement benefit and long service award obligations**

The cost of retirement benefit and long service award obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the rates published in the A67/70 tables published jointly by the Institute and Faculty of Actuaries in the UK.

Future salary increases are based on expected future inflation rates in Nigeria. Further details about the assumptions are given in Note 21.

**(ii)** Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (Note 35).

**(iii)** Provision for Right of Return on Revenue (Note 4b)

**(iv)** Measurement of ECL allowance of trade and intercompany receivables (Note 17 (iii) and (vi))

**(v)** Recognition and measurement of income and deferred taxes (Note 12)

# Notes to the financial statements (continued)

## 4 Revenue

| | 2019 N'000 | 2018 N'000 |
|---|---|---|
| **(a) Revenue for the year which arose from sales of goods comprise:** | | |
| Domestic (within Nigeria) | 59,470,471 | 91,216,481 |
| Export (outside Nigeria) | 1,016,364 | 1,683,488 |
| | 60,486,835 | 92,899,969 |

The Company recognises revenue at a point in time when it transfers control over a product or service to a customer.

The Company has 101 (2018: 102) key distributors, and one key distributor accounted for more than 10% of the Company's revenue.

All the Company's non-current assets are located in Nigeria.

### (b) Right of Return

In line with the adoption of IFRS 15, a refund liability of ₦373 million (2018: ₦1.1 billion) has been recognised for the right to return goods sold. Management has made an estimate based on historical trend of likely sales returns by customers subsequent to year end. The amount of revenue recognised is adjusted for expected returns. A refund liability (Note 19) and the right to recover returned goods asset have been recognised (Note 16)

## 5 Expenses by nature

The following items have been charged in arriving at profit before tax:

| | 2019 N'000 | 2018 N'000 |
|---|---|---|
| Raw materials and consumables | 41,276,161 | 50,127,989 |
| Bought in products | 4,975,962 | 4,649,860 |
| Depreciation of property, plant and equipment (Note 14) | 4,265,782 | 2,672,245 |
| Amortisation of intangible assets (Note 15) | 222,555 | 257,402 |
| Employee benefit expenses (Note 8) | 10,637,234 | 9,739,754 |
| Brand and marketing (Note 9) | 3,129,850 | 4,397,631 |
| Royalties and Service Fees (Note 9) | 1,490,230 | 2,422,901 |
| Handling charges | 2,256,906 | 3,293,838 |
| Auditors' remuneration | 37,009 | 37,464 |
| Professional service fees | 226,405 | 159,113 |
| Utilities | 480,324 | 1,011,971 |
| Business travel expenses | 457,734 | 609,810 |
| IT costs | 796,936 | 1,610,342 |
| Consumer market research | 354,267 | 400,875 |
| Lease rental * | 269,408 | 172,630 |
| Repairs and maintenance cost | 687,766 | 1,368,031 |
| Insurance | 148,473 | 196,025 |
| Donations | 60,835 | 43,456 |
| Trainings and meals | 323,459 | 386,940 |
| Impairment loss | 200,042 | 311,443 |
| Office materials | 39,015 | 68,633 |
| Total cost of sales, selling and marketing, distribution and administrative expenses | 72,336,353 | 83,938,353 |
| Analysed as: | | |
| Cost of sales | 55,737,010 | 64,674,847 |
| Selling and distribution expenses | 3,151,738 | 4,239,077 |
| Impairment loss | 200,042 | 311,443 |
| Marketing and administrative expenses | 13,247,563 | 14,712,986 |
| | 72,336,353 | 83,938,353 |

# Notes to the financial statements (continued)

* Lease rentals recognised during the year relates to the expense of short term leases and low value items for which the Company has elected not to recognise right-of-use assets and lease liabilities.

## 6 Other income

| | 2019 | 2018 |
|---|---|---|
| | N'000 | N'000 |
| Gain on sale of Aba factory | - | 149,626 |
| Gain on sale of property plant and equipment | 23,543 | 10,264 |
| Transitional Service Agreement income | 62,756 | 76,270 |
| | 86,299 | 236,160 |

## 7 Compensation of key management personnel and directors

Key management personnel comprises the directors (executive and non-executive) and other key management staff who are members of the Leadership Team.

Compensation to key management personnel was as follows:

| | 2019 | 2018 |
|---|---|---|
| | N'000 | N'000 |
| (i) Short term benefits | | |
| Non executive directors | 59,237 | 57,457 |
| Executive directors | 589,864 | 648,046 |
| Members of the Leadership team (excluding executive directors) | 1,042,050 | 930,040 |
| | 1,691,151 | 1,635,543 |
| (ii) Post-employment benefits: | | |
| Executive directors | 17,300 | 13,840 |
| Members of the Leadership team (excluding executive directors) | 49,857 | 31,580 |
| | 67,157 | 45,420 |

| | 2019 | 2018 |
|---|---|---|
| | N'000 | N'000 |
| (iii) The emoluments of the Chairman of Board of Directors | 17,922 | 10,787 |
| (iv) The emoluments of the highest paid director | 302,519 | 330,107 |

## 8 Employee benefits expense

| | 2019 | 2018 |
|---|---|---|
| | N'000 | N'000 |
| Salaries and wages | 5,989,752 | 6,051,869 |
| Pension contribution | 574,853 | 512,353 |
| Gratuity and Long service awards (Note 21(vi)) | 302,022 | 265,925 |
| Other employee allowances | 3,770,607 | 2,909,607 |
| | 10,637,234 | 9,739,754 |

Other employee allowances include incentives, medical allowances, product packs and other benefits which are consistent with industry practice.

The average number of persons, excluding executive directors, employed by Unilever during the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| | Number | Number |
| Administration | 82 | 215 |
| Technical and production | 785 | 758 |
| Sales and marketing | 143 | 201 |
| | 1,010 | 1,174 |

# Notes to the financial statements (continued)

**8 Employee benefits expense (continued)**

The table below shows the number of direct employees of Unilever excluding executive directors, other than employees who discharged their duties wholly or mainly outside Nigeria and which fell within the bands stated.

| ₦ | | ₦ | 2019 Number | 2018 Number |
|---|---|---|---|---|
| Below 1,750,000 | | | 2 | 138 |
| 1,750,001 | - | 2,000,000 | 14 | 88 |
| 2,000,001 | - | 2,250,000 | 91 | 165 |
| 2,250,001 | - | 2,500,000 | 160 | 157 |
| 2,500,001 | - | 2,750,000 | 154 | 114 |
| 2,750,001 | - | 5,000,000 | 303 | 191 |
| 5,000,001 | - | 10,000,000 | 124 | 150 |
| 10,000,001 | - | 15,000,000 | 68 | 76 |
| 15,000,001 | - | 20,000,000 | 24 | 30 |
| 20,000,001 | - | 30,000,000 | 42 | 38 |
| 30,000,001 | - | 40,000,000 | 12 | 18 |
| 40,000,001 | - | 60,000,000 | 4 | 3 |
| 60,000,001 | - | 80,000,000 | 12 | 6 |
| | | | 1,010 | 1,174 |

**9 Marketing and administrative expenses**

**(a)** This is analysed as follows:

| | 2019 N'000 | 2018 N'000 |
|---|---|---|
| Brand and marketing | 3,129,850 | 4,397,631 |
| Overheads | 8,627,483 | 7,892,454 |
| Royalties and Service Fees (9(b)) | 1,490,230 | 2,422,901 |
| | 13,247,563 | 14,712,986 |

**(b)** Unilever Nigeria Plc has Technology & Trademark agreements with Unilever Plc to manufacture, distribute and market its international brands. In consideration for this, a royalty of 2% of net sales value and 0.5% of net sales value is payable to Unilever Plc for technology and trademark licences respectively (Note 27).

Also, Unilever Nigeria has a central support and management services agreement with Unilever Europe Business Centre B.V (previously Unilever Plc) for the provision of corporate strategic direction, and expert advice/support on legal, tax, finance, human resources and information technology matters. In consideration of this, a fee of 2% of profit before tax is payable as service fees (Note 27).

# Notes to the financial statements (continued)

## 10 Finance income

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest on call deposits and bank accounts | 2,144,815 | 3,431,603 |
| Net exchange gain on translation of foreign currency denominated bank balances | - | 555,650 |
| Interest income from employee loans | - | 39,679 |
| | 2,144,815 | 4,026,932 |

## 11 Finance cost

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest expense | - | 585,263 |
| Interest expense on lease liabilities (Note 28(iii) | 104,948 | - |
| Net exchange loss | 30,921 | - |
| Amortised cost interest | - | 17,537 |
| | 135,869 | 602,800 |

## 12 Income tax credit/expense

### *(i)* Income statement

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current income tax | - | 3,650,844 |
| Tertiary education tax | - | 295,908 |
| | - | 3,946,752 |
| Deferred tax credit | (2,652,269) | (456,996) |
| Tax (credit)/ charge to income statement - Continuing operations | (2,652,269) | 3,489,756 |
| Tax (credit)/ charge to income statement - Discontinuing operations (Note 34 (i)) | - | 810,826 |

### Other comprehensive income

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Deferred tax on temporary differences | (105,417) | 56,597 |

The amount provided for income tax was computed on the basis of the company income tax rate of 30% in line with section 15(a) of Companies Income Tax Act 1979 (as amended).

Tertiary education tax charge is at 2% of assessable profits in accordance with Decree No. 7 of 1993.

# Notes to the financial statements (continued)

## 12 Income tax (continued)

*(ii)* The movement in current income tax liabilities is as follows:

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| At 1 January: | | |
| - Current income tax | 3,748,991 | 2,526,939 |
| - Tertiary education tax | 612,788 | 272,264 |
| - Capital Gains tax | 194,041 | |
| (Credit)/ charge for the year - continuing operations: | | |
| - Current income tax | - | 3,650,844 |
| - Tertiary education tax | - | 295,908 |
| Charge for the year - discontinuing operations: | | |
| - Current income tax | - | 572,168 |
| - Tertiary education tax | - | 44,616 |
| - Capital Gains tax | - | 194,041 |
| Tax paid: | | |
| Cash | (4,168,785) | (3,000,960) |
| Witholding tax credit notes | (298,660) | - |
| At 31 December | 88,375 | 4,555,820 |

*(iii)* **Reconciliation of effective tax to the statutory tax**

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| (Loss)/ profit before tax - continuing | (9,754,273) | 12,621,908 |
| Profit before tax - discontinued | - | 2,230,814 |
| | (9,754,273) | 14,852,722 |
| Tax calculated at the applicable statutory rate of 30% (2018: 30%) | (2,926,282) | 4,455,817 |
| Tertiary education tax at 2% | (195,085) | 297,054 |
| Tax effects of expenses not deductible for tax purposes | 641,602 | (232,366) |
| Tax effects on tax incentives | - | (336,535) |
| Tax exempt income | (97,215) | 82,014 |
| Change in recognised deductible temporary differences | (75,289) | 34,598 |
| **Tax (credit)/ charge in income statement** | (2,652,269) | 4,300,582 |

*(iv)* Minimum tax in current year has been computed based on 0.5% of turnover in line with the Finance Act 2020 and this amounts to ₦317.7 million. No minimum tax was recognised in prior year.

# Notes to the financial statements (continued)

### Uncertainty over income tax treatment

The Company computed minimum tax in current year based on the assumption that the new Finance Act 2020 will be applied retrospectively to the financial year ended 31 December 2019.

## 13 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares. There were no potentially dilutive shares at the reporting date (2018: nil), thus the basic earnings per share and diluted earnings per share have the same value.

| | 2019<br>N'000 | 2018<br>N'000 |
|---|---|---|
| (Loss)/ Profit attributable to ordinary shareholders | (7,419,674) | 10,552,140 |
| (Loss)/ Profit attributable to ordinary shareholders (continuing operations) | (7,419,674) | 9,132,152 |
| Weighted average number of ordinary shares | 5,745,005 | 5,745,005 |
| Basic and diluted earnings per share (Naira) | (1.29) | 1.84 |
| Basic and diluted earnings per share (Naira) - continuing operations | (1.29) | 1.59 |

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements.

# Notes to the financial statements (continued)

## 14 Property, plant and equipment (PPE)

The movement in the Property Plant and Equipment account is as follows:

*(i)*

| | Capital work-in-progress | Leasehold land | Buildings | Plant and machinery | Furniture and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Cost** | | | | | | | |
| At 1 January 2018 | 3,571,572 | 434,433 | 9,530,572 | 28,697,718 | 2,068,838 | 830,161 | 45,133,294 |
| Additions | 5,395,511 | - | | - | | - | 5,395,511 |
| Transfers | (4,679,565) | 19,557 | 720,343 | 3,183,851 | 265,068 | 490,746 | - |
| Disposals | (56,790) | (20,350) | (497,436) | (2,438,863) | (227,788) | (9,840) | (3,251,067) |
| Reclassification between asset classes | 17,478 | - | | (17,478) | - | | - |
| **At 31 December 2018** | 4,248,206 | 433,640 | 9,753,479 | 29,425,228 | 2,106,118 | 1,311,067 | 47,277,738 |
| **Balance as at 1 January 2019** | 4,248,206 | 433,640 | 9,753,479 | 29,425,228 | 2,106,118 | 1,311,067 | 47,277,738 |
| Recognition of right-of-use asset on initial application of IFRS 16 | - | - | 43,411 | - | - | - | 43,411 |
| **Restated balance at 1 January 2019** | 4,248,206 | 433,640 | 9,796,890 | 29,425,228 | 2,106,118 | 1,311,067 | 47,321,149 |
| Additions | 5,378,115 | - | 1,132,956 | - | - | - | 6,511,071 |
| Transfers | (4,810,544) | - | 625,758 | 3,063,745 | 214,060 | 205,681 | - |
| Write-offs | - | - | - | (1,553,600) | (57,231) | (11,006) | (1,621,837) |
| Disposals | - | - | - | (639) | (324,499) | (145,578) | (470,716) |
| **At 31 December 2019** | 5,516,177 | 433,640 | 11,555,604 | 30,934,734 | 1,939,348 | 1,360,164 | 51,739,667 |
| **Accumulated Depreciation / impairment** | | | | | | | |
| At 1 January 2018 | - | 15,531 | 1,492,118 | 12,447,578 | 755,448 | 541,915 | 15,252,590 |
| Depreciation charge for the year | - | - | 271,560 | 2,024,821 | 188,826 | 187,038 | 2,672,245 |
| Disposals | - | (12,341) | (183,249) | (118,085) | (9,321) | (1,640) | (324,636) |
| **At 31 December 2018** | - | 3,190 | 1,580,429 | 14,354,314 | 934,953 | 727,313 | 17,600,199 |
| Depreciation charge for the year | - | - | 663,347 | 3,183,082 | 169,555 | 249,798 | 4,265,782 |
| Write-offs | - | - | - | (1,553,600) | (57,231) | (11,006) | (1,621,837) |
| Disposals | - | - | - | (37) | (322,305) | (139,555) | (461,897) |
| **At 31 December 2019** | - | 3,190 | 2,243,776 | 15,983,759 | 724,972 | 826,550 | 19,782,247 |
| **Net book value:** | | | | | | | |
| At 1 January 2018 | 3,571,572 | 418,902 | 8,038,454 | 16,250,140 | 1,313,390 | 288,246 | 29,880,704 |
| At 31 December 2018 | 4,248,206 | 430,450 | 8,173,050 | 15,070,914 | 1,171,165 | 583,754 | 29,677,539 |
| At 31 December 2019 | 5,516,177 | 430,450 | 9,311,828 | 14,950,975 | 1,214,376 | 533,614 | 31,957,420 |

# Notes to the financial statements (continued)

## 14 Property, plant and equipment (PPE)

*(ii)* Included in building is right-of-use assets of ₦1.13bn and depreciation of ₦363million related to leased properties that do not meet the definition of investment property (See Note 22(i)).

*(iii) Security*

As at 31 December 2019, no item of property, plant and equipment was pledged as security for liabilities (2018: nil).

*(iv) Capital work-in-progress*

The capital work-in-progress of N5.5bn (2018: N4.2bn) represents buildings and plant and machinery under construction and other property, plant and equipment not available for use in the manner intended by management.

| | Land & Building | Plant & Machinery | Furniture and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Capital work-in-progress | 4,437 | 5,398,457 | 112,103 | 1,180 | 5,516,177 |

*(v) Capital commitments*

Contractual commitments with respect to property, plant and equipment contracted for at the reporting date but not recognised in the financial statements:

| | 2019 | 2018 |
|---|---|---|
| | N'000 | N'000 |
| Capital commitments | 646,574 | 2,035,862 |

# Notes to the financial statements (continued)

## 15 Intangible assets

Intangible assets comprise computer software

| | 2019 | 2018 |
|---|---|---|
| Cost: | ₦'000 | ₦'000 |
| At 1 January | 2,192,460 | 2,192,460 |
| Additions | - | - |
| At 31 December | 2,192,460 | 2,192,460 |
| Amortisation: | | |
| At 1 January | 1,743,972 | 1,486,570 |
| Charge for the year | 222,555 | 257,402 |
| At 31 December | 1,966,527 | 1,743,972 |
| Net book value as at 31 December | 225,933 | 448,488 |

Intangible assets represent the Company's computer software and the amortisation charge for the year has been included in administrative expenses.

## 16 Inventories

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Raw and packaging materials | 7,706,608 | 7,028,110 |
| Work in progress | 439,648 | 534,586 |
| Goods in Transit | 738,405 | 846,054 |
| Finished goods | 1,882,189 | 3,652,134 |
| Engineering spares and other inventories | 841,131 | 1,024,329 |
| Right to recover returned goods | 261,314 | 843,654 |
| | 11,869,295 | 13,928,867 |

The amount of inventories written down and included in cost of sales was ₦721.6 million (2018: ₦498.3 million). This represents allowance for slow-moving, obsolete, damaged and missing inventories.

The cost of inventories recognized as an expense and included in cost of sales amounted to ₦46.3 billion (2018: ₦56.8 billion).

## 17 Trade and other receivables

*(i)*

| | 2019 | 2018 |
|---|---|---|
| Trade and other receivables account is analysed as follows: | ₦'000 | ₦'000 |
| Trade receivables: gross | 11,125,550 | 18,225,511 |
| Less: impairment | (1,389,939) | (485,746) |
| Trade receivables: net | 9,735,611 | 17,739,765 |
| Advances and prepayments ** | 1,973,480 | 4,395,920 |
| Unclaimed dividend held with registrar | 991,333 | 475,448 |
| Interest receivable | 152,015 | 434,345 |
| Other receivables * | 1,631,827 | 2,581,949 |
| Due from related parties (Note 27 & 25.1(b)) | 5,548,419 | 4,307,325 |
| Deposit for imports (Note 17 (v)) | 4,098,341 | 253,437 |
| | 24,131,026 | 30,188,189 |

# Notes to the financial statements (continued)

* Included in other receivables is N665 million (2018: N1.8 bn) due from Upfield in relation to the Transitional Service Agreement (note 34 (iii))

** Advances and prepayments include short term and low value prepaid warehouse rents, insurance premium, and advances to vendors

| | | 2019 | 2018 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| *(ii)* | Analysis for trade receivables: | | |
| | Carrying amount not past due | 152,875 | 11,543,910 |
| | Carrying amount past due less than 3 months | 9,269,127 | 5,983,819 |
| | Carrying amount past due 3 - 6 months | 313,394 | 212,014 |
| | Carrying amount past due 6 months & above | 215 | 22 |
| | | 9,735,611 | 17,739,765 |

Information about the Company's exposure to credit risk and impairment losses for trade receivables is included in note 25.1(b)

| | | 2019 | 2018 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| *(iii)* | Movement in allowance for trade receivables: | | |
| | At 1 January | 485,746 | 287,672 |
| | Impairment loss (17 (vi)) | 904,193 | 272,597 |
| | Bad debt written off | - | (74,523) |
| | At 31 December | 1,389,939 | 485,746 |

| | | 2019 | 2018 |
|---|---|---|---|
| *(iv)* | Analysis of related parties receivables: | ₦'000 | ₦'000 |
| | Carrying amount neither past due nor impaired | - | 157,987 |
| | Carrying amount of related party receivables past due | 5,548,419 | 4,149,338 |
| | | 5,548,419 | 4,307,325 |

Related party receivables arise from export sales which are payable within 90 days and exchange of services which are payable within 30 days.
Receivables above 90 days have been subjected to impairment assessment in line with IFRS 9 and the appropriate impairment loss recognised in the statement of profit or loss. Information about the Company's exposure to credit risk and impairment losses for intercompany receivables in included in note 25.1(b)

*(v)* Deposit for imports represents foreign currencies purchased for funding letter of credits in respect of imported raw materials which were yet to be paid to suppliers as at year end.

| | | 2019 | 2018 |
|---|---|---|---|
| *(vi)* | Impairment loss on trade and intercompany receivables | ₦'000 | ₦'000 |
| | Trade receivables (17 (iii)) | 904,193 | 272,597 |
| | Intercompany receivables | (704,151) | 38,846 |
| | | 200,042 | 311,443 |

# Notes to the financial statements (continued)

## 18 Cash and cash equivalents

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| Cash at bank | 13,505,227 | 24,055,755 |
| Fixed deposit | 21,953,326 | 33,088,427 |
| | 35,458,553 | 57,144,182 |

Included in cash and cash equivalents is an amount of ₦5.57bn (2018: ₦2.72bn) which is not available for use to the Company being unclaimed dividend returned to the Company. ₦ 2.8b of this amount was invested by the Company's registrar in line with SEC rules (2018: ₦2.72bn).

## 19 Trade and other payables

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| Trade payables | 10,396,263 | 13,138,613 |
| Amount due to related companies (Note 27) | 9,773,293 | 14,611,870 |
| Dividend payable (Note 19(i)) | 6,599,665 | 3,171,439 |
| Accrued liabilities | 2,123,247 | 1,175,636 |
| Accrued brand and marketing expenses | 649,680 | 366,892 |
| Accrued shipping and freight charges | 1,471,248 | 1,609,344 |
| Refund liabilities | 373,305 | 1,071,360 |
| Minimum tax payable | 317,670 | - |
| Non trade payables * | 3,015,338 | 3,465,685 |
| | 34,719,709 | 38,610,839 |

* Included in Non trade payables is N219m (2018: N711m) due to Upfield in relation to the TSA (Note 34 (iii))

Reconciliation of changes in trade and other payables in the statement of cashflows:

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| Movement in trade and other payables | (3,891,130) | 5,202,019 |
| Dividend reclassified from retained earnings but not paid out | (2,796,534) | - |
| Impact of foreign exchange movement | 2,268 | (48,676) |
| Movement in trade and other payables per statement of cashflows | (6,685,396) | 5,153,343 |

*(i)* Dividend payable

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| As at 1 January | 3,171,439 | 2,891,042 |
| Dividend declared | 8,617,508 | 2,872,503 |
| Dividend paid | (5,820,974) | (2,872,503) |
| Dividend unclaimed by shareholders | 631,692 | 280,397 |
| As at 31 December | 6,599,665 | 3,171,439 |

## Notes to the financial statements (continued)

For the year ended 31 December 2019, the directors have not proposed any dividend (2018:N1.50 per share amounting to ₦8.6billion).

Unclaimed dividend returned by the registrar is invested in a portfolio managed by a fund manager (Stanbic IBTC Asset Management Limited). In line with SEC rules, this unclaimed dividend is not available to be used by the Company for its own business.

Included in dividend payable is ₦2.8bn due to Unilever Overseas Holding (Note (27(v)).

As at 31 December 2019, ₦991 million (2018: ₦475 million) of the total dividend was held with the Company's Registrar, GTL Registrars Limited

# Notes to the financial statements (continued)

## 20 Deferred tax liabilities

Deferred income tax is calculated using the statutory income tax rate of 30% (2018: 30%). The movement on the deferred tax account is as follows:

The movement in deferred tax is as follows:

| Deferred tax liability: | ₦'000 | ₦'000 |
|---|---|---|
| At start of year | 3,652,125 | 4,484,871 |
| Changes during the year: | | |
| - Credit to income statement (Note 12) | (2,652,269) | (456,996) |
| - (Credit)/ charge to other comprehensive income | (105,417) | 56,597 |
| - Credit to retained earnings | - | (432,347) |
| At end of year | 894,439 | 3,652,125 |

The movement in the deferred tax account is as follows:

| **Deferred tax liabilities/(assets)** | **Property, plant and equipment ₦'000** | **Employee benefit obligations ₦'000** | **Other temporary differences* ₦'000** | **Leases ₦'000** | **Exchange difference ₦'000** | **Total ₦'000** |
|---|---|---|---|---|---|---|
| At 1 January 2018 | 5,715,458 | (1,119,144) | (92,056) | - | (19,387) | 4,484,871 |
| Charge/(credit) to income statement | (83,264) | 56,091 | 16,673 | - | (446,496) | (456,996) |
| Charge to other comprehensive income | - | 56,597 | - | | - | 56,597 |
| Credit to retained earnings | - | | (432,347) | - | | (432,347) |
| At 31 December 2018 / 1 January 2019 | 5,632,194 | (1,006,456) | (507,730) | - | (465,883) | 3,652,125 |
| Charge/(credit) to income statement | (1,208,488) | 719,338 | (1,711,309) | (225,831) | (225,979) | (2,652,269) |
| Credit to other comprehensive income | - | (105,417) | | - | | (105,417) |
| At 31 December 2019 | 4,423,706 | (392,535) | (2,219,039) | (225,831) | (691,862) | 894,439 |

*Other temporary differences comprises unrelieved losses (₦1.2 billion) and provisions for trade receivables and inventories (₦1 billion).

# Notes to the financial statements (continued)

## 21 Retirement benefit obligation

*(i) Retirement benefit obligation*

Unilever operates a funded benefit scheme for retired employees. The funded benefit scheme is for retirees who have received pension. With effect from 1 January 2013, only employees who were employed prior to January 2006 and who had not opted out of the Unilever savings scheme are permitted entry into the funded benefit scheme. The plan asset of the scheme is funded by contributions from the retired employees. In addition, Unilever provides medical and soap pack benefits to retired employees

Unilever also operates an unfunded defined benefit plan retirement scheme for employees under its gratuity scheme. For non-management staff the benefit payable is based on a graduated scheme depending on the number of years of service. The scheme was terminated during the year. The plan assets of the scheme are unfunded. With effect from 1 January 2015, new employees no longer qualify for this benefit. In addition, Unilever provides medical and soap pack benefits to retired employees.

*(ii) Long service obligation*

The Company grants long service awards to employees who have served continuously well and loyally. Depending on the length of service, employees are granted both monetary and non monetary awards. Qualified employees have the option of monetising the non monetary awards.

*(iii) Summary of retirement benefits and long service award obligations*

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Funded retirement benefit obligation (Note 21(v)) | (1,854,537) | (1,584,886) |
| Fair value of plan assets (Note 21(v)) | 1,889,829 | 1,878,105 |
| Retirement benefit surplus | 35,292 | 293,219 |
| Unfunded retirement benefit obligations (Note 21(iv)) | (422,830) | (2,021,360) |
| Long service award obligations (Note 21(iv)) | (318,096) | (209,510) |
| | (705,634) | (1,937,651) |

# Notes to the financial statements (continued)

**21 Retirement benefit obligations (continued)**

*(iv) Reconciliation of change in liabilities*

The movement in the obligations over the year is as follows:

| | Funded Retirement Benefit Obligations | | Unfunded Retirement Benefit Obligations | | Long Service Award Obligations | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| At 1 January | (1,584,886) | (1,597,969) | (2,021,360) | (3,454,370) | (209,510) | (205,745) |
| ***Included in income statement*** | | | | | | |
| Current service charge | - | | (189,810) | (257,719) | (88,661) | (30,680) |
| Interest cost | (224,074) | (205,705) | (214,761) | (458,204) | (30,148) | (26,657) |
| Actuarial (losses)/gains – change in assumptions | - | | - | | (29,130) | 16,461 |
| Actuarial gains – experience | - | - | - | | 5,579 | 6,013 |
| | (224,074) | (205,705) | (404,571) | (715,923) | (142,360) | (34,863) |
| ***Included in OCI*** | | | | | | |
| **Remeasurement (loss)/gain** | | - | | - | | |
| Actuarial (losses)/gains – change in assumptions | (167,839) | 117,788 | (31,079) | 187,532 | - | |
| Actuarial (losses)/gains – experience | (167,670) | (177,342) | 21,326 | 48,887 | - | |
| | (335,509) | (59,554) | (9,753) | 236,419 | - | |
| ***Others*** | | | | | | |
| Benefits paid | 289,932 | 278,342 | 2,012,854 | 1,912,514 | 33,774 | 31,098 |
| | | | | | 33,774 | 31,098 |
| At 31 December | (1,854,537) | (1,584,886) | (422,830) | (2,021,360) | (318,096) | (209,510) |

## Notes to the financial statements (continued)

*(v) Reconciliation of change in assets*

The plan assets relate to the funded retirement benefit obligation. The movement in the fair value of plan assets of the year is as follows:

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At January 1 | 1,878,105 | 1,927,204 |
| ***Included in income statement*** | | |
| Interest income on plan assets | 285,822 | 229,107 |
| ***Included in OCI*** | | |
| Remeasurements - actuarial (losses)/gains | 15,834 | - |
| ***Others*** | | |
| Employer contributions | - | 136 |
| Benefits paid | (289,932) | (278,342) |
| | (289,932) | (278,206) |
| At December 31 | 1,889,829 | 1,878,105 |
| Less: funded retirement benefit obligations (Note 21(iv)) | (1,854,537) | (1,584,886) |
| Retirement benefit surplus | 35,292 | 293,219 |

# Notes to the financial statements (continued)

**21 Retirement benefit obligations (continued)**

*(vi) Summary of items recognised in income statement and other comprehensive income*

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Income Statement | | OCI | Income Statement | | OCI |
| | Current service charge* ₦'000 | Net interest cost ₦'000 | Actuarial losses ₦'000 | Current service charge* ₦'000 | Net interest cost ₦'000 | Actuarial losses ₦'000 |
| Funded retirement benefit obligations | - | 224,074 | (335,509) | - | 205,705 | (59,554) |
| Plan assets | - | (285,822) | 15,834 | - | (229,107) | |
| Unfunded retirement benefit obligations | 189,810 | 214,761 | (9,753) | 257,719 | 458,204 | 236,419 |
| Long service award obligations | 112,212 | 30,148 | - | 8,206 | 26,657 | - |
| | 302,022 | 183,161 | (329,428) | 265,925 | 461,459 | 176,865 |

*Current service charge disclosed above includes actuarial gains/(losses) charged to profit or loss.

*(vii) Actuarial assupmtions*

The principal actuarial assumptions were as follows:

| | Funded Retirement Benefit Obligation | | Unfunded Retirement Benefit Obligation | | Long Service Award Obligations | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 13.5% | 15.5% | - | 15.5% | 13.5% | 15.5% |
| Inflation rate | 11% | 12% | - | 12% | 11% | 12% |
| Interest income rate | 15.5% | 15.5% | - | - | - | - |
| Future salary/pension increases | - | - | - | 12% | 12% | 12% |

Assumptions on mortality rate for the funded retirement benefit obligation is based on the rates published in the A67/70 tables, published jointly by the Institute and Faculty of Actuaries, United Kingdom while that of the unfunded retirement benefit obligation and long service award obligation is based on the publications in the A67/70 Tables and PA (90)-1 Male table (UK annuitant table), published jointly by the Institute and Faculty of Actuaries in the United Kingdom.

The Company has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk. To achieve this, investment are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

# Notes to the financial statements (continued)

## 21 Retirement benefit obligations (continued)

For risk management purposes on the funded retirement benefit obligation, the obligations are funded by investments in liability matching assets. The assets are managed by external independent pension fund administrators. The plan assets comprised the following:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| **Government Securities:** | | |
| FGN Bonds | 1,089,396 | 846,687 |
| Treasury bills | 400,626 | 424,186 |
| State Government Bonds | 34,052 | 57,841 |
| | 1,524,074 | 1,328,714 |
| **Fixed deposits/strict calls:** | | |
| Uninvested Cash/Money on Call | 1,090 | 2288 |
| Credit interest | 197 | 108 |
| Fixed deposits | 335,256 | 481,086 |
| Receivable | - | 439 |
| Accrued Fees and Expenses | (3,307) | (14,501) |
| | 333,236 | 469,420 |
| **Corporate Bonds** | 32,519 | 79,969 |
| Asset | **1,889,829** | **1,878,103** |

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on government securities and quoted securities reflect long-term real rates of return experienced in the respective markets.

*(viii) Sensitivity analysis on liability as at 31 December 2019*

A 1% change in assumed rates will result in the following balances to the retirement benefit scheme.

# Notes to the financial statements (continued)

| | Unfunded Retirement Benefit Obligations | | | | Funded Retirement Benefit Obligations | |
|---|---|---|---|---|---|---|
| | Gratuity | | Medical and Soap Packs | | | |
| | ₦'000 | Impact (%) | ₦'000 | Impact (%) | ₦'000 | Impact (%) |
| Base figures | - | - | 422,830 | - | 1,854,538 | - |
| Discount rate (-1%) | - | - | 448,036 | -6% | 1,951,962 | 5% |
| Discount rate (+1%) | - | - | 400,300 | 5% | 1,766,533 | -5% |
| Salary/pension increase rate (-1%) | - | - | - | - | - | - |
| Salary/pension increase rate (+1%) | - | - | - | - | - | - |
| Price escalation rate (-1%) | - | - | 409,374 | 3% | - | - |
| Price escalation rate (+1%) | - | - | 436,996 | -3% | - | - |
| Mortality experience (-1 year) | - | - | 454,796 | -8% | 1,927,313 | 4% |
| Mortality experience (+1 year) | - | - | 392,786 | 7% | 1,781,851 | -4% |

*Sensitivity analysis on liability as at 31 December 2018*

| | Unfunded Retirement Benefit Obligations | | | | Funded Retirement Benefit Obligations | |
|---|---|---|---|---|---|---|
| | Gratuity | | Medical and Soap Packs | | | |
| | ₦'000 | Impact (%) | ₦'000 | Impact (%) | ₦'000 | Impact (%) |
| Base figures | 1,623,471 | - | 300,524 | - | 1,584,887 | - |
| Discount rate (-1%) | 1,722,931 | 6% | 317,244 | 6% | 1,661,469 | 5% |
| Discount rate (+1%) | 1,533,727 | -6% | 285,484 | -5% | 1,515,240 | -4% |
| Salary/pension increase rate (-1%) | 1,524,898 | -6% | - | - | - | - |
| Salary/pension increase rate (+1%) | 1,731,393 | 7% | - | - | - | - |
| Price escalation rate (-1%) | - | - | 282,720 | -6% | - | - |
| Price escalation rate (+1%) | - | - | 320,152 | 7% | - | - |
| Mortality experience (-1 year) | 1,623,217 | 0% | 300,530 | 0% | 1,604,347 | 1% |
| Mortality experience (+1 year) | 1,623,749 | 0% | 300,518 | 0% | 1,564,657 | -1% |

# Notes to the financial statements (continued)

| | Long Service Award Obligations -2019 | | Long Service Award Obligations - 2018 | |
|---|---|---|---|---|
| | ₦'000 | Impact | ₦'000 | Impact |
| Base figures | 318,096 | | 209,510 | |
| Discount Rate (-1%) | 335,496 | -5% | 220,231 | 5% |
| Discount Rate (+1%) | 302,253 | 5% | 199,700 | -5% |
| Salary increase rate (-1%) | 302,978 | 5% | 199,946 | -5% |
| Salary increase rate (+1%) | 334,498 | -5% | 219,852 | 5% |
| Price escalation rate (-1%) | 316,795 | 0% | 207,909 | -1% |
| Price escalation rate (+1%) | 334,498 | -5% | 211,213 | 1% |
| Mortality experience (-1 year) | 318,710 | 0% | 209,831 | 0% |
| Mortality experience (+1 year) | 317,409 | 0% | 209,147 | 0% |

| **Assumptions for sensitivity analysis** | **Base rates 2019** | **Base rates 2018** |
|---|---|---|
| Discount rate (unfunded retirement benefit obligation and medical) | 13.5% | 15.5% |
| Discount rate (funded retirement benefit obligation) | 13.5% | 15.5% |
| Salary increase rate | 12% | 12% |
| Product/benefit inflation rate | 11% | 12% |

The base figures used for the sensitivity analysis on liability is the unfunded retirement benefit obligation as at 31 December 2019 while the base figure for sensitivity analysis on service and interest cost is the projected net period benefit cost for 2019.

The retirement benefits and long service award obligations are based upon independent actuarial valuation conducted by Ernst and Young (O.O. Okpaise, FRC/2012/NAS/00000000738).

# Notes to the financial statements (continued)

## 22 Leases

See accounting policy in Note 2(14).

The Company leases office building and warehouses. The leases typically run for a period of 2 to 3 years, with renewal to be determined by both parties on or before expiration date.

The warehouses rented by the Company were previously classified as operating leases under IAS 17.

During 2019, the Company entered into several lease agreements for both office building and warehouses.

Information about leases for which the Company is a lessee is presented below

*i Right-of-use assets*

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 14(ii)).

| | | **2019** |
|---|---|---|
| | | **₦'000** |
| Balance as at 1 January | | 43,411 |
| Additions to right-of-use assets (Note 14(i)): | | |
| - Addition to right of use asset | 532,184 | |
| - Lease liability (Note (28(iii)) | 600,772 | 1,132,956 |
| Depreciation for the year | | (363,444) |
| Balance as at 31 December | | 812,923 |

| | **2019** |
|---|---|
| *ii Amounts recognised in profit or loss* | **₦'000** |
| **Leases under IFRS 16** | |
| Interest on lease liabilities (Note (28(iii)) | 104,948 |
| Expense relating to short term leases and low value items (Note 5) | 269,408 |
| **Operating leases under IAS 17** | |
| Lease expense | 664,055 |
| | **2018** |
| | **₦'000** |
| Lease expense (Note 5) | 172,630 |

*iii Amounts recognised in statement of cash flows as part of finance cost and depreciation*

| | |
|---|---|
| Interest on lease (Note 11) | 104,948 |
| Depreciation for the year (Note 14(ii)) | 363,444 |

*iv Extension options*

Some office building and warehouse leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

# Notes to the financial statements (continued)

## 23 Cash flows from operating activities

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| (Loss)/ profit before tax - continued operations | (10,071,943) | 12,621,908 |
| Profit before tax - discontinued operations (Note 34 (i)) | - | 2,230,814 |
| Adjustment for non-cash items: | | |
| - Depreciation of property plant and equipment (Note 14(i)) | 4,265,782 | 2,672,245 |
| - Bad debt write off (Note 17 (iii)) | - | 74,523 |
| - Gain on disposal of property, plant and equipment | (23,543) | (159,890) |
| - Gain on sale of discontinued operation (Note 34 (i)) | - | (1,971,090) |
| - Net impairment charge on receivables (17(vi)) | 200,042 | (1,039,641) |
| - Amortisation of intangible assets (Note 15) | 222,555 | 257,402 |
| - Interest income (Note 10) | (2,144,815) | (4,026,932) |
| - Interest expense | 135,869 | 602,800 |
| - Net charge in retirement benefit obligations (Note 21(vi)) | 342,823 | 692,385 |
| - Long service award obligations (Note 21(vi)) | 142,360 | 34,863 |
| - Minimum tax | 317,670 | - |
| - Change in employee loan receivable (Note 33) | 114,536 | 95,158 |
| - Other employee benefits (Note 30) | - | (85,902) |
| - Decrease in other non-current assets (Note 32) | 48,353 | 31,133 |
| | (6,450,311) | 12,029,776 |
| Changes in working capital: | | |
| - Decrease/ (increase) in trade and other receivables | 6,057,163 | (2,566,700) |
| - Decrease/ (increase) in inventories | 2,059,572 | (2,450,335) |
| - (Decrease)/ increase in trade and other payables (Note 19) | (6,685,396) | 5,153,343 |
| Cash flows (used in)/ generated from operating activities | (5,018,972) | 12,166,084 |

# Notes to the financial statements (continued)

## 24 Fair values, including valuation hierarchy and assumptions

The fair values of financial instruments, valuation methods and the carrying amounts shown in the Statement of financial position, are as follows:

| | 2019 Fair value hierarchy | 2019 Carrying amount ₦'000 | 2019 Fair value ₦'000 | 2018 Fair value hierarchy | 2018 Carrying amount ₦'000 | 2018 Fair value ₦'000 |
|---|---|---|---|---|---|---|
| Employee loans receivable (Note 33) | Level 2 | - | - | Level 2 | 114,536 | 114,536 |
| Trade and related party receivables (Note 17(i)) | | 15,284,030 | 15,590,886 | | 22,047,090 | 22,047,090 |
| Cash and cash equivalent (Note 18) | | 35,458,553 | 32,618,795 | | 57,144,182 | 57,144,182 |
| | | 50,742,583 | 48,209,681 | | 79,305,808 | 79,305,808 |
| Trade and other payables (Note 19) * | | 33,587,419 | 33,587,419 | | 36,265,280 | 36,265,280 |
| Long term loan (Note 28) | | 705,720 | - | | 4,176 | 4,176 |
| | | 34,293,140 | 33,587,419 | | 36,269,456 | 36,269,456 |

The fair values of the financial assets and liabilities are defined as being the amounts at which the instruments could be exchanged or liability settled in an arm's length transaction between knowledgeable, willing parties.

Cash and cash equivalents, trade and other current receivables, bank overdrafts, trade payables, intercompany loan and other current liabilities have fair values that approximate to their carrying amounts due to their short-term nature.

*This analysis is required only for financial instruments. Accordingly, trade and other payables excludes pension obligations, refund liabilities, withholding tax payables and value added tax.

Financial instruments in level 2 include the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation technique used to value financial instruments is the discounted cash flow analysis.

# Notes to the financial statements (continued)

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Unilever's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Unilever's financial performance.

Risk management is carried out by a Treasury Department under policies approved by Board of Directors. Unilever's Treasury Department identifies, evaluates and manages financial risks in close co-operation with Unilever's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. These policies are mostly Unilever Global Policies adopted for local use.

## 25 Financial risk management

### 25.1 Financial risk factors

***(a) 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.

(i) Currency risk - Transactions in foreign currency

Unilever is exposed to foreign exchange risk arising from various currency exposures. The currencies in which these transactions are primarily denominated are US dollars, Pound sterling, Euro and Rand. The currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

During the year, the Company explored foreign currency official instruments available in the market to settle obligations denominated in foreign currencies and to manage foreign currency volatility. These include: Central Bank of Nigeria (CBN) forwards and CBN interventions in the interbank market.
As a result, the Company's transactions were settled at a range of rates during the year. As at year end the assets and liabilities were translated using the NAFEX rate which represented the rate at which the future cash flows represented by the balances could have been settled if those cash flows had occurred at year end.

At 31 December 2019, the unhedged financial assets and financial liabilities amounted to N13 billion (2018: N5 billion).

At 31 December 2019, if the Naira had weakened/strengthened by 16%* against key currencies (Euro and USD) to which the Company is exposed to, with all other variables held constant, post-tax profit for the year would have been N2 billion lower/higher (2018: N863 Million).

# Notes to the financial statements (continued)

At 31 December 2019, if the Naira had weakened/strengthened by 16%* against other currencies (GBP and ZAR) to which the Company is exposed to, with all other variables held constant, post-tax profit for the year would have been ₦7 million lower/higher (2018: N118 million).

*16% represents the 5 year average change in the conversion rate of key currencies to Naira.

(ii) Cash flow and fair value interest rate risk

Unilever's interest rate risk arises from bank overdrafts, bank loans and inter-company loans. Overdrafts issued at variable rates expose Unilever to cash flow interest rate risk. Borrowings issued at fixed rates expose Unilever to fair value interest rate risk.

Unilever analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, Unilever calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The average interest rate on local short-term borrowings in 2019 was 18.5% (2018: 19%)

The following table shows the split in fixed rate exposures:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Fixed rate (bank loans) - Note 28 | - | 4,176 |
| | - | 4,176 |

*(b) Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

The carrying amounts of financial assets and contract assets represent the maximum credit exposure

Impairment losses on financial assets assets recognised in the income statement were as follows:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Impairment loss on trade and intercompany receivables (Note 17(vi)) | 200,042 | 311,443 |

**Trade receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base.

# Notes to the financial statements (continued)

The Company's risk management committee has established a credit policy under which each new customer is placed on a 3 month probation. Sales are made to these customers on a cash and carry basis during this period after which each customer is analysed individually for credit worthiness before the Company's standard credit and delivery terms and offered. The Company's review includes available financial information, industry information and bank references. Credit limits are established for each customer and reviewed quarterly.

Concentration of credit risk with respect to trade receivables is limited, due to the Company’s customer base being diverse. Credit terms for customers are determined on individual basis. Credit risk relating to trade receivables is managed by reference to the customers' credit limit, inventory balance, cash position and secondary sales to final consumers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, distribution channel, geographic location and trading history.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

*Expected credit loss assessment for customers*

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a very large number of small balances. Loss rates are calculated using a historical default method based on the probability of a receivable progressing through stages of delinquency to write-off. The historical default rates are calculated separately for exposures from the  two classes of customers (General and Modern Trade) based on their credit risk characteristics.

## Notes to the financial statements (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from General Trade customers as at 31 December 2019.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
| | | ₦'000 | ₦'000 | | | ₦'000 | ₦'000 | |
| Current (not past due) | 3% | 84,162 | (2,672) | No | 1% | 10,402,942 | (58,281) | No |
| Less than 3 months past due | 1% | 8,855,939 | (123,579) | No | 3% | 5,499,664 | (143,264) | No |
| 3 - 6 months past due | 23% | 397,388 | (90,187) | No | 15% | 162,532 | (25,111) | No |
| 6 - 12 months past due | 100% | 240,888 | (240,673) | Yes | 100% | 7,281 | (7,281) | Yes |
| More than 12 months past due | 100% | 363,810 | (363,810) | Yes | 100% | 236,151 | (236,151) | Yes |
| | | **9,942,187** | **(820,921)** | | | **16,308,570** | **(470,088)** | |

Loss rates are based on actual credit loss experience over the past three years

The following table provides information about the exposure to credit risk and ECLs for trade receivables from Modern Trade customers as at 31 December 2019.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
| | | ₦'000 | ₦'000 | | | ₦'000 | ₦'000 | |
| Current (not past due) | 0% | 71,537 | (152) | No | 0% | 1,200,442 | (1,192) | No |
| Less than 3 months past due | 22% | 686,902 | (150,134) | No | 0% | 627,800 | (632) | No |
| 3 - 6 months past due | 95% | 127,194 | (121,002) | No | 0% | 74,667 | (75) | No |
| 6 - 12 months past due | 100% | 212,280 | (212,280) | Yes | 0% | (1,820) | | Yes |
| More than 12 months past due | 100% | | (85,450) | Yes | 87% | 15,851 | (13,759) | Yes |
| | | **1,183,363** | **(569,018)** | | | **1,916,940** | **(15,658)** | |
| | | 85,450 | | | | | | |

-

# Notes to the financial statements (continued)

Loss rates are based on actual credit loss experience over the past three years

*Movements in the allowance for the impairment in respect of trade receivables*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 485,746 | 287,672 |
| Charged to income statement (17 (vi)) | 904,193 | 272,597 |
| Bad debt written off | - | (74,523) |
| Balance at 31 December | 1,389,939 | 485,746 |

**Other receivables**

Other receivables comprise unclaimed dividend held with registrar, prepayments and advance payments to local vendors, interest receivable on fixed deposits, deposit for imports and other receivables. Prepayments and advance payments to local vendors and deposit for imports (deposit with foreign vendors for goods) and other receivables are non-financial assets while interest receivables on fixed deposits held with reputable financial institutions and have good credit ratings. The Company assessed the credit risk as low, hence, the expected credit loss is immaterial.

The unclaimed dividend held with registrar represents the Company's maximum credit exposure to the financial asset. The refund of this receivable is as stipulated by the Securities Exchange Commission's set guidelines. The Company's registrar is GTL Registrars Limited, which is a reputable company. The Company has assessed the credit risk as low and the expected credit loss is immaterial.

**Intercompany receivables**

Intercompany receivables arise from export sales to and settlement of transactions on behalf of related entities. Related entities are entities within the Unilever Group. Credit terms for related entities are determined on individual basis and the Company does not require collateral in respect of intercompany receivables.

*Expected credit loss assessment for related entities*

The Company has applied a general approach in computing the Expected Credit Loss (ECL) for intercompany receivables. The company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including external credit ratings, audited financial statements, cashflow projections), applying experienced judgement and historical default rates.

Lifetime probabilities of default are based on historical data supplied by Standard & Poors for each credit rating. Loss Given Default (LGD) generally reflect an assumed recovery rate of 40%, except when a security is credit impaired in which case the estimate of loss is assumed to be 100%.

Intercompany receivables and payables are offset and the net amount presented in the Statement of Financial Position when, and only when the Company has a legally enforcable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the financial statements (continued)

The following represents the analysis of the credit quality of the Company's related parties that were subject to lifetime ECL allowance, and whether they were credit impaired.

| | 2019 | | | 2018 | |
|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | | ₦'000 | ₦'000 |
| Equivalent to external credit rating (Standard & Poors) | Gross carrying amount | Impairment loss allowance | Credit impaired | Gross carrying amount | Impairment loss allowance |
| BBB- to AAA | - | | No | | - |
| BB- to BB+ | - | | No | 157,987 | - |
| B- to B+ | - | | No | | - |
| C to CCC+ | 6,195,352 | (646,933) | Yes | 5,539,268 | (763,603) |
| Gross carrying amounts | 6,195,352 | (646,933) | | 5,697,255 | (763,603) |

The Company has assumed a CCC rating for all related party entities with no credit risk rating which is based on the similar risk profile of corporates with credit risk ratings.

The movement in allowance for impairment of related party receivables during the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at 1 January | | - |
| Specific impairment provision recognised in the year | 1,351,084 | 1,351,084 |
| Writeback of provision | (704,151) | - |
| Balance at 31 December 2019 | 646,933 | 1,351,084 |

# Notes to the financial statements (continued)

**Cash and cash equivalents**

The Company held cash and cash equivalents of ₦35.5bn as at 31 December 2019 (2018: ₦57.1bn). The cash and cash equivalents are held with banks and financial institutions. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects short term maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**Employee receivables**

Employees are not considered a credit risk as amounts due from employees are deductible monthly from gross pay and upon resignation, deducted from final entitlements.

(c) *Liquidity risk*

Liquidity risk is the risk that Unilever will face difficulty in meeting its obligations associated with its financial liabilities. Unilever's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could undermine Unilever's credibility, impair investor confidence and also restrict Unilever's ability to raise funds.

Cash flow from operating activities provides the funds to service the financing of financial liabilities on a day-to-day basis. Unilever seeks to manage its liquidity requirements by maintaining relationships with different financial institutions through short-term and long-term credit facilities.
Cash flow forecasting is performed in Unilever. Unilever's finance team monitors rolling forecasts of Unilever's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that Unilever does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration Unilever's debt financing plans, covenant compliance and compliance with gearing ratios.

Where current liabilities exceed current assets, the Company seeks to manage its liquidity requirements by maintaining access to bank lending which are renewable annually.

At the reporting date, Unilever held cash in bank of ₦13.8 billion (2018: ₦24.1 billion). Unilever also had Nil overdraft (2018: Nil) and undrawn facilities of ₦20.5 billion (2018: ₦20.5 billion). The facilities are unsecured and do not attract any cost if they are not utilised. The bank overdraft facilities are subject to annual renewal.

| | **2019** | **2018** |
|---|---|---|
| The average interest rates on bank overdrafts at the year end is as follows: | 17% | 19% |

# Notes to the financial statements (continued)

*Exposure to liquidity risk*

The table below analyses Unilever's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The Company has no derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **2019** | | | | | | |
| Trade and other payables* | 33,587,419 | - | - | - | - | 33,587,419 |
| Loans and borrowings | - | - | 705,720 | - | - | 705,720 |

| | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **2018** | | | | | | |
| Trade and other payables* | 36,265,280 | - | - | - | | 36,265,280 |
| Loans and borrowings | 178 | 215 | 788 | 1,182 | 1,813 | 4,176 |

| | At amortised cost 2019 | At amortised cost 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Liabilities as per statement of financial position** | | |
| Trade and other payables (Note 19)* | 34,719,709 | 37,336,640 |
| Loans and borrowings (Note 28) | 705,720 | 4,176 |
| | 35,425,429 | 37,340,816 |

*This analysis is required only for financial instruments. Accordingly, trade and other payables excludes pension obligations, refund liabilities, withholding tax payables and value added tax.

# Notes to the financial statements (continued)

## 25 Financial risk management (continued)

### 25.2 Capital risk management

Unilever’s objectives when managing capital are to safeguard Unilever’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Unilever may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Unilever monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities (non-current liabilities and current liabilities) over total assets (non-current assets and current assets), based on balances reported in the statement of financial position.

The gearing ratios at 31 December 2019 and 2018 were as follows:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Total liabilities | 37,149,169 | 49,053,830 |
| Total assets | 103,677,519 | 131,843,373 |
| Gearing ratio (%) | 36% | 37% |

## 26 Segment reporting

The chief operating decision-maker has been identified as the Leadership Team (LT) of Unilever Nigeria Plc. The Leadership Team reviews Unilever’s monthly financial and operational information in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Leadership Team consider the business from Food Products category and Home and Personal Care category.

Foods – including sales of tea and savoury products

Home and Personal Care – including sales of fabric care, household cleaning, skin care and oral care products.

There are no intersegmental sales and Nigeria is the Company's primary geographical segment as it comprises 98% of the Company's sales.

The Leadership Team assesses the performance based on operating profits for each operating segment that is reviewed. Total financing (including interest income and expense), income taxes and retirement benefit obligations are managed on an entity-wide basis and are not allocated to operating segments.

Total segment assets exclude tax related assets. These are included in the reconciliation to the total assets on the Statement of financial position.

# Notes to the financial statements (continued)

| 2019 | Food Products ₦'000 | Home and Personal Care ₦'000 | Total ₦'000 |
|---|---|---|---|
| Revenue | 31,781,267 | 28,705,568 | 60,486,835 |
| Depreciation and amortisation | 2,358,282 | 2,130,055 | 4,488,337 |
| Segmental operating loss | (6,180,685) | (5,582,534) | (11,763,219) |
| Finance income | 1,126,938 | 1,017,877 | 2,144,815 |
| Finance cost | (71,389) | (64,480) | (135,869) |
| Loss before taxation | (5,125,135) | (4,629,138) | (9,754,273) |

| 2019 | Food Products ₦'000 | Home and Personal Care ₦'000 | Total ₦'000 |
|---|---|---|---|
| Property, plant and equipment | 16,791,213 | 15,166,208 | 31,957,420 |
| Inventories | 6,236,419 | 5,632,876 | 11,869,295 |
| | 23,027,632 | 20,799,084 | 43,826,715 |
| Other non-current assets | | | 261,225 |
| Cash and bank balances | | | 35,458,553 |
| Other current assets | | | 24,131,026 |
| Trade and other payables | | | (34,719,709) |
| Income tax | | | (88,375) |
| Loans and borrowings | | | (705,720) |
| Deferred tax liabilities | | | (894,439) |
| Retirement benefit obligations | | | (422,830) |
| Long service obligations | | | (318,096) |
| Net assets | | | 66,528,350 |
| Capital expenditure | 3,105,416 | 2,804,883 | 5,910,299 |

# Notes to the financial statements (continued)

## 26 Segment reporting (continued)

| 2018 | Food Products ₦'000 | Home and Personal Care ₦'000 | Total ₦'000 |
|---|---|---|---|
| Revenue | 44,486,751 | 48,413,218 | 92,899,969 |
| Depreciation and amortisation | 1,402,912 | 1,526,735 | 2,929,647 |
| Segmental operating profit | 4,404,514 | 4,793,262 | 9,197,776 |
| Finance income | 1,928,366 | 2,098,566 | 4,026,932 |
| Finance cost | (288,661) | (314,139) | (602,800) |
| Profit before taxation | 6,044,218 | 6,577,690 | 12,621,908 |

| 2018 | Food Products ₦'000 | Home and Personal Care ₦'000 | Total ₦'000 |
|---|---|---|---|
| Property, plant and equipment | 14,211,601 | 15,465,938 | 29,677,539 |
| Inventories | 6,670,078 | 7,258,789 | 13,928,867 |
| | 20,881,679 | 22,724,727 | 43,606,406 |
| Other non-current assets | | | 855,591 |
| Cash and bank balances | | | 57,144,182 |
| Other current assets | | | 30,237,194 |
| Trade and other payables | | | (38,610,839) |
| Income tax | | | (4,555,820) |
| Loans and borrowings | | | (4,176) |
| Deferred tax liabilities | | | (3,652,125) |
| Retirement benefit obligations | | | (2,021,360) |
| Long service obligations | | | (209,510) |
| Net assets | | | 82,789,543 |
| Capital expenditure | 2,583,733 | 2,811,778 | 5,395,511 |

# Notes to the financial statements (continued)

## 27 Related party transactions

Unilever Nigeria Plc is controlled by Unilever Plc incorporated in the United Kingdom which is the ultimate party and controlling party of Unilever Nigeria Plc. There are other companies that are related to Unilever Nigeria Plc by virtue of their relationship to Unilever Plc (subsidiary) who is the ultimate controlling party.

The following transactions were carried out with related parties:

### (i) Trade mark and technology licences

Unilever Plc, United Kingdom has given Unilever Nigeria Plc exclusive right to the know-how, manufacture, distribution and marketing of its international brands namely: Omo, Sunlight, Close-Up, Pepsodent, Vaseline, Lux, Knorr, Royco, Lipton, and Lifebuoy in Nigeria. In consideration of this, a royalty of 2% of net sales value and 0.5% of net sales value is payable by Unilever Nigeria Plc to Unilever Plc, United Kingdom for Technology and Trade Mark licences respectively. The royalty payable under these agreements for the year is N1,490 million (2018: N2,310 million).

### (ii) Central support and management services

Unilever Nigeria Plc has a Management Services Agreement with Unilever Plc, United Kingdom for the provision of corporate strategic direction, and expert advice/support on legal, tax, finance, human resources and information technology matters.
Effective 1 June 2018, after an internal arrangement, the service provider was changed from Unilever Plc to Unilever Europe Business Centre B.V.
In consideration of this agreement, a fee of 2% of profit before tax is payable by Unilever Nigeria Plc to Unilever Plc/Unilever Europe Business Center B.V. The fee payable under this agreement in 2019 was nil being that the Company made a loss before tax (2018: N112.6 million).

### (iii) Sale of finished goods to related parties

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Unilever Cote D'Ivoire | 25,897 | 988,598 |
| Unilever Ghana Ltd | 990,467 | 694,890 |
| | 1,016,364 | 1,683,488 |

### (iv) Purchases of finished goods for resale from related parties

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Unilever Ghana Limited | 24,921 | 1,632,154 |
| Unilever Asia Private Limited | - | 78,670 |
| Unilever South Africa (Pty) Limited | - | 51,593 |
| Unilever Gulf Free Zone Establishment | - | 18,461 |
| | 24,921 | 1,780,878 |

### v) Outstanding related party balances as at 31 December were:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| *Receivables from related parties:* | | |
| Unilever Cote D'Ivoire | 3,068,317 | 5,457,650 |
| Unilever Ghana Limited | 2,543,944 | - |
| Other related parties | 583,091 | 239,605 |
| Gross receivables | 6,195,352 | 5,697,255 |
| Less impairment | (646,933) | (1,389,930) |
| | 5,548,419 | 4,307,325 |

# Notes to the financial statements (continued)

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| *Payables to related parties:* | | |
| Unilever UK Plc | 4,272,620 | 2,423,562 |
| Unilever Cote D'Ivoire | 254,807 | 125,328 |
| Unilever Ghana Limited | - | 2,373,529 |
| Unilever Asia Private | 2,277,023 | 5,876,661 |
| Unilever NV | 2,625,093 | 2,394,533 |
| Unilever Gulf Free Zone Establishment | - | 333 |
| Other related parties (settlement of liabilities on behalf of the Company) | 343,750 | 1,417,924 |
| Amount due to related companies per note 19 | 9,773,293 | 14,611,870 |
| Unilever Overseas Holding | 2,796,534 | - |
| **Total amount due to related parties** | 12,569,827 | 14,611,870 |

During the year, there were no transactions between the Company and its key management personnel. Compensation paid to key management personnel have been disclosed in Note 7.

**(vi) Related party relationship**

The nature of related party relationships with Unilever Nigeria Plc is as follows:

| Related Party | Nature of relationship |
|---|---|
| Unilever UK Plc | Ultimate parent and controlling party |
| Unilever Cote D'Ivoire | Fellow subsidiary |
| Unilever Ghana Limited | Fellow subsidiary |
| Unilever Asia Private | Fellow subsidiary |
| Unilever Finance International AG | Fellow subsidiary |
| Unilever NV | Immediate Parent |
| Unilever Market Development (Pty) Limited | Fellow subsidiary |
| Unilever South Africa (Pty) Limited | Fellow subsidiary |
| Unilever Gulf Free Zone Establishment | Fellow subsidiary |

## 28 Loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowing which are measured at amortised cost.

| | 2019 ₦'000 | 2018 ₦'000 |
|---|---|---|
| **Current liability** | | |
| Current portion of long term bank loan (Note 28(i)) | - | 394 |
| **Non-current liability** | | |
| Lease liabilities (Note 28(iii)) | 705,720 | - |
| Non-current portion of long term bank loan (Note 28(i)) | - | 3,782 |
| **Total loans and borrowings** | 705,720 | 4,176 |

*(i)* Long term bank loan

Long term bank loan represents bank facility obtained by the Company to fund housing loans extended to employees. The facility is unsecured and is for a maximum period of ten years. Interest rate is charged at 21% per annum. A portion of the outstanding principal amount is repaid annually. The balance on the facility was paid off during the year.

# Notes to the financial statements (continued)

| The movement on the facility is as follows: | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 4,176 | 22,511 |
| Repayments | (4,176) | (18,335) |
| At 31 December | - | 4,176 |
| Analysed as: | | |
| Current | - | 394 |
| Non current | - | 3,782 |
| | - | 4,176 |

*(ii)* Secured bank loan

This represents the loan obtained from the Bank of Industry (BOI). The bank issued a loan of N5 billion to Unilever at 10% for a period of six years ending 2019. Given that Unilever has adopted the settlement date accounting policy, the amount recognised is the drawn down value of N1.4 billion. The loan is secured by the guarantee of the Company's bankers and was utilised to improve capital investment capacity.

The loan was initially recognised at its fair value by discounting the expected cash outflows and deducting the applicable transaction costs. The difference between the present value at grant date and the original proceeds has been recognised as deferred income in accordance with IAS 20 (Note 28).

The loan was settled in 2018.

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Opening amortised cost | - | 518,198 |
| Interest cost | - | 25,726 |
| | - | 543,924 |
| **Less repayment** | | |
| Principal | - | (518,198) |
| Interest | - | (25,726) |
| Amortised closing balance | - | - |

The net interest charge on the BOI loan is as follows:

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest expense | - | 25,726 |
| Amortisation of government grant | - | (8,189) |
| | - | 17,537 |

*(iii)* Lease liabilities

Lease liabilities relate to the present value of future lease payment on the Company's rented properties.

The movement in the lease liability during the year is as follows:

| | 2019 | 2018 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Opening balance | - | - |
| Lease liability recognised | 600,772 | - |
| Interest on lease liability | 104,948 | - |
| Closing balance | - | - |
| | 705,720 | - |

# Notes to the financial statements (continued)

*(iv)* Import Finance Facility

This represents a facility line for the issuance of Letters of Credits to the Company's vendors for the purchase of raw materials

## 29 Deferred income

The deferred income refers to the difference between the present value at grant date and the original proceeds based on government grant obtained by Unilever through the N5 billion loan from the Bank of Industry.

The loan is at an interest rate of 10% which is below the market rate and therefore represents a government benefit. The benefit is measured by the difference between the original loan proceeds and the present value of the loan at grant date recognised in line with IAS 39. The benefit is recognised in interest expense to match the related cost in accordance with IAS 20. The loan was paid up in 2018 and the outstanding deferred income recognised in interest expense.

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| At 1 January | - | 62,781 |
| Amount recognised in interest expense | - | (62,781) |
| At 31 December | - | - |

## 30 Other employee benefits

Unilever operates a stakeholders' scheme geared towards promoting people enterprise and ownership culture.

Upon confirmation, every employee is allocated 4,375 stakeholder units. These units cannot be traded within the Nigerian Stock Exchange and are therefore phantom shares. The scheme is cash-settled.

Stakeholders are entitled to a yearly dividend as declared by the shareholders at the Company's Annual General Meeting.

Upon disengagement, other than dismissal, employees would be paid the market value of shares held. This will be equivalent to Unilever share price on the stock exchange market at the time of exit. The market value to be paid will be pro-rata according to length of service.

The scheme was wound down in the year 2018 and all stakeholders were paid off

A summary of the status of the Scheme Plan as at 31 December 2019 and 31 December 2018 is presented below:

| | 2019<br>Number of employees | 2018<br>Number of employees |
|---|---|---|
| As at 1 January | - | 889 |
| Awarded | - | 5 |
| Terminated | - | (894) |
| As at 31 December | - | - |

The movement in the scheme is shown below

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| As at 1 January | - | 85,902 |
| Service Cost | - | 8,754 |
| Curtailment | - | 10,667 |
| Benefits paid by employer | - | (105,323) |
| | - | - |

# Notes to the financial statements (continued)

Amount recognised in non current liabilities is shown below:

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Other employee benefits | - | 85,902 |

The share-based payments are based upon independent valuation conducted by Ernst and Young. (O.O. Okpaise, FRC/2012/NAS/00000000738)

## 31 Share capital and share premium

| | Number of ordinary shares<br>₦'000 | Ordinary shares<br>₦'000 | Share premium<br>₦'000 |
|---|---|---|---|
| Balance as at 31 December 2018 and 31 December 2019 | 5,745,005 | 2,872,503 | 56,812,810 |

The authorised number of ordinary shares is 10,000,000,000 (2018: 10,000,000,000) with a par value of 50kobo per share. Of these, 5,745,005,417 (2018: 5,745,005,417) ordinary shares have been issued and fully paid.

## 32 Other non-current assets

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Long term portion of employee loans | - | 30,574 |
| Long term portion of prepayments | - | 17,779 |
| Balance as at 31 December | - | 48,353 |

Long term portion of employee loans include long term portion of loans provided to employees. The tenor of the loans range from a period of 2 years to maximum period of 4 years.
The loan was fully settled during the year alongside the settlement of Unfunded retirement benefits obligation.

## 33 Employee loan receivable

| | 2019<br>₦'000 | 2018<br>₦'000 |
|---|---|---|
| Current portion of present value | - | 49,005 |
| Non-current portion of present value | - | 65,531 |
| | - | 114,536 |

This represents the fair value of interest free loans given to staff of Unilever Nigeria Plc. These are amortised annually and recognised in the income statement as interest expense.
They are also disclosed as part of the employee benefit for the period. The terms are:
1) The fair value (i.e. present value of the future cash flow) of the loan is calculated using the market interest rate of 22%
2) A monthly deduction is made from payroll over the tenor of the loan, which is between 4 and 5 years.
3) Terms of repayment are agreed with any staff who is exiting the business but has outstanding loan receivables.
4) The loan was fully settled during the year alongside the settlement of Unfunded retirement benefits obligation.

# Notes to the financial statements (continued)

**34 Discontinued Operations**

**(i)** In July 2018, Unilever Nigeria Plc concluded the sale of its entire spreads business (Blueband margarine). In line with the Unilever Group's directive, the Company committed to a plan to sell this business since its announcement in December 2017.

The amount is analysed as follows:

| Income Statement | | Year ended 31 Dec 2019 ₦'000 | Year ended 31 Dec 2018 ₦'000 |
|---|---|---|---|
| Turnover | | - | 2,344,435 |
| Cost of sales | | - | (1,781,435) |
| **Gross Profit** | | - | 563,000 |
| Selling and Distribution expenses | | - | (123,044) |
| Marketing and administrative expenses | | - | (266,644) |
| Other income (Gain on sale) | | - | 1,971,090 |
| **Operating profit** | | - | 2,144,402 |
| Finance income | | - | 101,624 |
| Finance cost | | - | (15,212) |
| **Profit Before tax** | | - | 2,230,814 |
| Taxation | 12 (i) | - | (810,826) |
| Profit for the year from discontinued operations | | - | 1,419,988 |
| Profit for the year attributable to equity holders from discontinued operations | | - | 1,419,988 |
| Basic and diluted earnings per share (Naira) attributable to equity holders from discontinued operations | | - | 0.25 |

The numbers reflect the results of the spreads business from the beginning of 2018 to its discontinuation in July 2018.

**ii Effects of disposal on the Statement of Financial Position**

| | 2018 ₦'000 |
|---|---|
| Property plant and equipment | 2,760,687 |
| Non current assets | 2,760,687 |
| Cash consideration received | 4,731,777 |

**iii Transitional Service Agreement**

Subsequent to the disposal of the spreads business in 2018, Unilever entered into a Transitional Service Agreement ("the Agreement") with the new owners, Sigma Silver Foods (Upfield Foods) Nigeria Limited. The Agreement is in place till 31 March 2020, during which time Unilever will provide production and sales support to Upfield Foods in exchange for a fee. The fee earned during the year was ₦62.75 million (2018: ₦76.27 million)

Receivables from and payables due to Upfield in relation to this agreement are ₦665m (Note 17) and ₦219m (Note 19) respectively.

# Notes to the financial statements (continued)

## 35 Contingencies

The Company is involved in pending litigation and claims arising in the ordinary course of business. Estimated contingent liability as at 31 December 2019 is ₦27 million (2018: ₦492 million). In the opinion of the directors, the Company will not suffer any material loss arising from these claims. Thus no provision has been recognized in the financial statements.

The company is subject to ongoing audit by regulatory bodies. The audit is yet to be completed as at reporting date and any liability that may arise cannot be determined with sufficient reliability. The Directors are of the opinion that the Company will not suffer any significant financial loss from these audits.

Further disclosures are not provided in respect of these exposures because doing so may have unfavourable impacts on the Company's position.

## 36 Subsequent events

In recent weeks, many countries have enacted protection measures against COVID-19, with a significant impact on the daily life, production and supply chain of goods in these countries and beyond. The evolution of COVID-19 as well as its impact on the global economy, and more specifically, on Unilever's activities, is hard to predict at this stage. The Company is monitoring the situation to ensure the safety of its staff as well as to adapt its services and operations.

There are no significant subsequent events which could have had a material effect on the state of affairs of the company as at 31 December 2019 that have not been adequately provided for or disclosed in the financial statements.

# Other national disclosures

### Value added statement

| | 2019 ₦'000 | % | 2018 ₦'000 | % |
|---|---|---|---|---|
| Revenue - continuing operations | 60,486,835 | | 92,899,969 | |
| Revenue - discontinued operations | - | | 2,344,435 | |
| | 60,486,835 | | 95,244,404 | |
| Bought in materials and services: | | | | |
| - local | (21,213,637) | | (26,222,133) | |
| - imported | (36,228,516) | | (44,924,280) | |
| | 3,044,682 | | 24,097,991 | |
| Interest income | 2,144,815 | | 4,026,932 | |
| Value added | 5,189,497 | 100 | 28,124,923 | 100 |
| Applied as follows: | | | | |
| Employee benefit expenses (Note 8) | 10,637,234 | 205 | 9,739,754 | 52 |
| Depreciation and amortisation | 4,488,337 | 86 | 2,929,647 | 14 |
| Income taxes | (2,652,269) | (51) | 4,300,582 | 4 |
| Finance costs | 135,869 | 2.62 | 602,800 | 24 |
| To (deplete) /augment reserves | (7,419,674) | (143) | 10,552,140 | 6 |
| | 5,189,497 | 100 | 28,124,923 | 100 |

This statement represents the distribution of the wealth created through the use of the Company's assets through its own and employees' efforts.

# Other national disclosures

### Five year financial summary

| | 2019 ₦'000 | 2018 * ₦'000 | 2017 ₦'000 | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|---|---|---|
| Financial performance | | | | | |
| Revenue | 60,486,835 | 95,244,404 | 90,771,306 | 69,777,061 | 59,221,748 |
| Gross profit | 4,749,825 | 28,788,122 | 28,943,264 | 20,296,041 | 21,047,500 |
| Operating expenses | (16,599,343) | (19,653,194) | (15,975,515) | (14,615,233) | (16,485,316) |
| Other (expenses)/income | 86,299 | 2,207,250 | (18,026) | 124,237 | 77,506 |
| Net finance cost | 2,008,946 | 3,510,544 | (1,742,511) | (1,698,623) | (2,868,627) |
| Minimum tax expense | (317,670) | - | - | - | - |
| (Loss)/ profit before taxation | (10,071,943) | 14,852,722 | 11,207,212 | 4,106,422 | 1,771,063 |
| Income tax credit/(expenses) | 2,652,269 | (4,300,582) | (3,757,128) | (1,034,537) | (578,697) |
| (Loss)/ profit after Tax | (7,419,674) | 10,552,140 | 7,450,084 | 3,071,885 | 1,192,366 |
| Other comprehensive income | (224,011) | 120,268 | (680,171) | 742,739 | (430,004) |
| Total comprehensive income | (7,643,685) | 10,672,408 | 6,769,913 | 3,814,624 | 762,362 |
| Earnings per share | | | | | |
| (Basic and diluted) - Naira | -1.29 | 1.84 | 1.78 | 0.81 | 0.32 |
| **Capital employed** | | | | | |
| Share capital | 2,872,503 | 2,872,503 | 2,872,503 | 1,891,649 | 1,891,649 |
| Share premium | 56,812,810 | 56,812,810 | 56,812,810 | 45,717 | 45,717 |
| Reserves | 6,843,037 | 23,104,230 | 16,223,062 | 9,752,577 | 6,065,887 |
| **Shareholders' funds** | 66,528,350 | 82,789,543 | 75,908,375 | 11,689,943 | 8,003,253 |
| Employment of capital | | | | | |
| Non-current assets | 32,218,645 | 30,533,130 | 31,125,625 | 30,948,762 | 29,164,670 |
| Net current assets/(liabilities) | 36,650,790 | 58,143,190 | 53,263,433 | (11,970,842) | (13,689,839) |
| Non-current liabilities | (2,341,085) | (5,886,777) | (8,480,683) | (7,287,977) | (7,471,578) |
| | 66,528,350 | 82,789,543 | 75,908,375 | 11,689,943 | 8,003,253 |
| Net assets per share (Naira) | 11.58 | 14.41 | 18.17 | 3.09 | 2.12 |

* Includes continued and discontinued operations