Annual Report 2016
Unilever Nigeria Plc

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Our Mission

WE WORK TO CREATE A BETTER FUTURE EVERYDAY

We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.

We will inspire people to take small everyday actions that can add up to a big difference for the world.

We will develop new ways of doing business that will allow us to double the size of our company while reducing our environmental impact.

Our Values

INTEGRITY
RESPECT
RESPONSIBILITY
PIONEERING

Company Profile

Unilever Nigeria 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 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 over half of the families on the planet each 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 very outstanding 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; Blue Band Margarine, Lipton Yellow Label Tea and Knorr bouillon cubes in the Foods Unit; and OMO Multi-Active Detergent ,Sunlight washing powder and Sunlight Dish washing liquid in the Home Care Unit. Other Regional and local jewels include the Pears Baby Products range 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 behaviour 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 Close Up, Pepsodent and Lifebuoy, Unilever has organized various outreach programmes that have enlightened Nigerians on the health benefits of handwashing and brushing twice a day. As the Company drives these impactful initiatives, Unilever employees are also encouraged to contribute meaningfully to the society through voluntary services aimed at improving lives of the less privileged. The Company has high growth aspirations, with a vision to double its business size over the next few years while reducing environmental impact.

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. Yaw Nsarkoh (Ghanaian)	-	Managing Director
Mrs Abiola Alabi	-	Independent Non-Executive Director
Ammuna Lawan Ali, OON	-	Independent Non-Executive Director
Mr Felix Enwemadu	-	Executive Director (Appointed w.e.f. 25 October, 2016)
Mr. Atedo N. A. Peterside, CON	-	Non-Executive Director
Mrs. Adesola Sotande-Peters	-	Executive Director
Mr Mutiu Sunmonu, CON, FNSE	-	Independent Non-Executive Director
Mr. James Todd (British)	-	Non-Executive Director

Legal Director & Company Secretary

Mrs. Abidemi Ademola

Registered Office

1 Billings Way
Oregun
Ikeja, Lagos
Tel: 01 279 3000
Email: Consumercare.nigeria@unilever.com

Company Registration Number

RC 113

Independent Auditor

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

Registrar and Transfer Office

GTL Registrars Limited
274, Murtala Muhammed Way
Alagomeji, Yaba, Lagos
Tel: 01-279 3161- 2 & 01 -813 1925

Results at a glance

	2016 N'000	2015 N'000
Revenue	69,777,061	59,221,748
Operating Profit	5,805,045	4,639,690
Profit before tax	4,106,422	1,771,063
Taxation	(1,034,537)	(578,697)
Profit for the year after tax	3,071,885	1,192,366
Capital employed	11,689,943	8,003,253
Capital expenditure	4,228,146	5,068,498
Depreciation of property, plant and equipment	2,313,444	1,906,568
Cash and cash equivalents	7,474,141	(7,100,428)
Earnings per share (Naira)	0.81	0.32
Net Assets per share (Naira)	3.09	2.12
NSE share price at 31 December	35.00	43.25

Ratio % Revenue

Operating costs	92%	92%
Operating profit	8%	8%
Profit after tax	4%	2%

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. and Chairman of Intafact Beverages Ltd. (subsidiary of SAB Miller Plc.) He is also the Chairman of Anambra State Traditional Rulers Council, and Chancellor of Kogi State University and 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 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 as well as Chairman of Cadbury Nigeria Plc. He also sits on the Board of Directors of The Standard Bank of South Africa Limited, Standard Bank Group Limited, Flour Mills of Nigeria PLC and Nigerian Breweries Plc. (Heineken Subsidiary). He was the Chairman of the Committee on Corporate Governance of Public Companies in Nigeria which crafted the first Code of Best Practices for Public Companies operating in Nigeria. The Code was published in October 2003. He was appointed to the Board of Unilever Nigeria Plc. in January 2008.

MRS ABIOLA ALABI – Independent Non-Executive Director

Biola Alabi is the Founder and Managing Partner of Biola Alabi Media, the media icon heads a dynamic consultancy with expertise in strategic consulting for pay entertainment, digital television, interactive television and emerging entertainment distribution platforms; they service governments, content creators, telecommunication industry, and investors in the converging media technology space. She is also the founder of "Grooming for Greatness" a leadership development and mentorship program for a new generation of 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 high-profile position of Managing Director for M-Net Africa, part of the globally renowned Naspers Group. Prior to this, she was based in the United States where she was part of the executive team at the influential 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

Board Profile (continued)

AMMUNA LAWANI ALI, OON – 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, and briefly in the office of Civil Service and the Ministry of Information and Communications. She retired from service in December 2009. Ammuna Lawan Ali is a proud recipient of the Order of Niger honour 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 Registrars 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 as a Computer Programmer/Business Analyst. While in Shell, he served in various capacities both in Nigeria and abroad ranging from Senior EDP Auditor to the Head, Information Planner/Portfolio Consultant; IT Manager; Area Production Manager; Asset Manager and Regional Business Adviser at the Shell Headquarters at The Hague, supporting China and Thailand, and then General Manager Production for the SPDC Eastern operations. In 2005, he joined the Board of SPDC following his appointment as Executive Director, Corporate Affairs, prior to his appointment on January 1, 2008 as the Managing Director of SPDC. 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.

MR. JAMES TODD (British) - Non-Executive Director

James Todd is Vice-President Finance for Africa. He is British, and graduated from University of Durham with a degree in Philosophy. His professional career began in 1986 with Unilever in UK where he qualified as a Chartered Management Accountant. From 1993 to 1997 he was expatriated to Poland, where his roles covered both Supply Chain and Finance, before returning to Unilever's Corporate Centre in London where he worked on strategy development. In 2003 he was appointed Finance Director of Unilever South Africa, and in 2006 became Vice President Finance, Africa Middle East & Turkey. In August 2009 he was appointed Managing Director Unilever Maghreb and he was appointed VP Finance Africa in July 2013. He was appointed to the Board of Unilever Nigeria Plc. in November, 2015.

Board Profile (continued)

MR YAW NSARKOH (Ghanaian) - Managing Director

Mr. Yaw Nsarkoh is the Executive Vice President (EVP) of Unilever Nigeria and Ghana and the Managing Director of Unilever Nigeria Plc. He holds an Honors Degree in Chemical Engineering from the University of Science and Technology, Kumasi, Ghana and a Post Graduate Diploma in Management from Henley Management College, UK. His career spans over 24 years in Unilever businesses across Africa, Asia, and Europe. At various times, he worked as Managing Director, Unilever East and Sothern Africa, based in Kenya, as Strategic Assistant to Unilever Leadership Executive Member and President of Unilever Asia, Africa, Central and Eastern Europe based in the UK, as Marketing Director, Unilever Ghana Ltd., as African Regional Brand Manager Laundry at the Unilever Innovation Centre, South Africa etc. He is a member of Ghana Institution of Engineers, a Director of Changing Lives Endowment Fund (CLEF) in Ghana and a member of the Institute of Directors, Nigeria. Mr Nsarkoh currently sits as council member on Industry Associations and Strategic Private Sector Committees in Nigeria. He is a regular speaker on business issues. He was appointed to the Board of Unilever Nigeria Plc. in January, 2014.

MR FELIX ENWEMADU – Executive Director

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 17 years' experience. He holds a Bachelor of Science Degree in Geology from Nnamdi Azikiwe University, Awka, Anambra State.

MRS ADESOLA SOTANDE-PETERS – Finance Director

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 (ACCA) and member of the Institute of Chartered Accountants of Nigeria (ICAN) and Her career spans over 22 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. She 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. Adesola is amiable and keen to nurture young professional colleagues. She was appointed to the Board of Unilever Nigeria Plc. in January, 2015.

MRS ABIDEMI ADEMOLA – Legal Director and Company Secretary

Mrs. Abidemi Ademola is a Corporate Counsel and Chartered Secretary with work experience spanning over 22 years of Commercial Law and Corporate Governance practice in Nigeria and more recently in the West Africa Region. Her forte is identifying existing and emerging legal and corporate governance risks to business and proffering innovative solutions. Abidemi holds a Bachelor of Laws degree from the Obafemi Awolowo University, Ile-Ife. and a Master of Laws degree from the University of Lagos, Akoka. 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 and the Society of Corporate Governance, 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. She was appointed as Company Secretary in January 2012.

Report of the Directors

The Directors submit their Report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the Company.

Incorporation

Unilever Nigeria Plc. is incorporated in Nigeria under the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 as a public limited liability company, 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 food ingredients, and home and personal care prducts. 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	69,777,061
Operating profit	5,805,045
Profit before taxation	4,106,422
Taxation	(1,034,537)
Profit after tax	3,071,885
Other comprehensive income	742,739
Proposed dividend	378,330

Dividend

The Directors recommend to the shareholders the payment of a dividend in respect of the year ended 31 December, 2016, of N378,330,000 that is, 10 kobo gross per share which is payable on Friday 12 May 2017. This is subject to the deduction of appropriate withholding tax.

Corporate Governance Report

Framework

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

1 The Unilever Code of Business Principles and Code Policies
2 The Governance of Unilever Document
3 The Memorandum and Articles of Association of Unilever Nigeria Plc.
4 The SEC Code of Corporate Governance for Public Companies 2011
5 Securities and Exchange Commission (SEC) Rules for the time being in force
6 Companies and Allied Matters Act (Cap C20) LFN 2004
7 The Rule Book of the Nigerian Stock Exchange for the time being in force

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.

Report of the Directors (continued)

Framework (continued)

b. We 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.

d. We 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 2016, Unilever Nigeria Plc. complied with all the mandatory provisions of the Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011 together with the requirements of other good corporate governance standards listed above

Board composition

The Directors who held office during the year 2016 and up to the date of this report are:

His Majesty Nnaemeka A. Achebe, CFR, MNI	Non-Executive Director and Chairman
Mr Yaw Nsarkoh	Managing Director
Mrs Abiola Alabi	Independent Non-Executive Director
Ammuna Lawan Ali, OON	Independent Non-Executive Director
Mr Felix Enwemadu	Executive Director (appointed w.e.f. 25 October, 2016)
Mr. Atedo N. A. Peterside, CON	Non-Executive Director
Mr Ologbaraete K. Pinnick	Executive Director (resigned w.e.f. 16 May, 2016)
Mrs Adesola Sotande-Peters	Executive Director
Mr Mutiu Sunmonu, CON	Independent Non-Executive Director
Mr. James Todd	Non-Executive Director

The following Director resigned from the Board since the last Annual General Meeting:
Mr Ologbaraete Pinnick - resigned from the Board with effect from 16 May, 2016

Since the last Annual General Meeting, the following Director joined the Board:
Mr Felix Enwemadu - joined the Board with effect from 25 October 2016

Report of the Directors (continued)

Board responsibilities

The Board has the final responsibility for management, 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 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
- Alteration of Articles of Association
- Alteration of the capital of the company
- Significant asset disposal

2 Governance
- 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
- Presentation of the annual report and financial statements to shareholders
- Reviewing and approving proposals from the Governance/Remuneration Committee
- 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
- The review of the functioning of the Board and its committees
- Overall responsibility for compliance with all relevant laws, regulations and Code of Corporate Governance
- 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 Governance of Unilever document. 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 (where 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 the new Executive Director, Mr Felix Enwemadu.

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 equip them for the role. In accordance with its 70-20-10 principle Unilever believes that a major part of training will happen through on-the-job 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.

During the course of 2016, the Board went through a training session on Unilever Route To Market to understand how Unilever's route to market has transformed in recent years, the technology it deploys in this process and the direct impact on Company sales.

Report of the Directors (continued)

Board appointment and evaluation process (continued)

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 as the need arises and also 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 from the Unilever Africa Cluster Office 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 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 and entrepreneurial acumen.

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, 2016 to review the performance of the Board, individual Directors and Board Committees. The Evaluation confirmed that Unilever governance practices during the year ended 31 December 2016 were largely in compliance with the provisions of applicable laws, regulations, corporate governance Codes and international best practices.

Directors retiring by rotation

In accordance with Article 90 of the company's Articles of Association, Mr James Todd and Mrs Abiola Alabi 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 Felix Enwemadu 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 7 to 9 of this Annual Report and Financial Statements.

Board committees

In line with the Code of Best Practices in 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 comprises the Executive Directors of the Company. The following are currently members of the committee:

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

Report of the Directors (continued)

Board committees (continued)

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:

i	Mr. Yaw Nsarkoh	-	Managing Director & Executive Vice President
ii	Mrs. Abidemi Ademola	-	Director, Legal & Company Secretary
iii	Mrs Bunmi Adeniba	-	Director, Brand Building (Home Care)
iv	Mr. Bernard Conyers	-	Director, Manufacturing
v	Mr. Felix Enwemadu	-	Vice President, Customer Development
vi	Mrs Soromidayo George	-	Director, Corporate Affairs
vii	Mr. Thomas Mwanza	-	Director, Procurement West Africa
viii	Mrs Nsima Ogedi-Alakwe	-	Director, Brand Building (Foods)
ix	Mrs. Eniola Onimole	-	Director, Human Resources
x	Mr. George Owusu-Ansah	-	Director, Supply Chain Go to Market
xi	Mr Siddharth Ramaswamy	-	Vice President, Supply Chain West Africa
xii	Mrs. Adesola Sotande-Peters	-	Finance Director
xiii	Mr. Michael Ubeh	-	Director, Customer Development

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, is comprised of three (3) shareholders' representatives and three (3) Directors' representatives (two of whom are non–executive Directors and the other an executive director not being the Finance Director). The chairman of the Audit committee is one of the shareholders' representatives. 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.

d. The Governance/Remuneration Committee

The Governance/Remuneration Committee comprises solely of Non-Executive Directors and is chaired by the Non-Executive Chairman of the Board. The Committee's Terms of Reference are in line with Paragraph 11 of the SEC Code of Corporate Governance 2011. Members of the Committee during the period ended 31 December, 2016 were:

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

In 2016, all the above committees discharged their roles creditably and in line with their terms of reference.

Report of the Directors (continued)

Board meetings

During 2016, the Board held four meetings. The record of Directors' attendance is presented below:

Name	Meeting date 17 March 2016	Meeting date 14 April 2016	Meeting date 14 July 2016	Meeting date 25 October 2016	Total attendance
His Majesty N.A. Achebe	✓	✓	✓	✓	4 meetings
Mr. Y. Nsarkoh	✓	✓	✓	✓	4 meetings
Mrs Abiola Alabi	✓	✓	✓	✓	4 meetings
Ammuna Lawan Ali	✓	✓	X	✓	3 meetings
Mr Felix Enwemadu	NYA	NYA	NYA	AWEF 25 Oct, 2016	Nil
Mr. A.N.A. Peterside	✓	✓	✓	✓	4 meetings
Mr. O. K. Pinnick	✓	✓	NLB	NLB	2 meetings
Mrs. A. Sotande-Peters	✓	✓	✓	✓	4 meetings
Mr Mutiu Sunmonu	X	✓	✓	✓	3 meetings
Mr. James Todd	✓	✓	✓	✓	4 meetings

✓ - Present
X – Absent with apologies
AWEF – Appointed With Effect From
NLB - No longer on the Board
NYA - Not yet appointed

Governance/Remuneration Committee

The Governance/Remuneration Committee held three meetings in 2016. The record of members' attendance is presented below:

Name	Meeting date 14 April 2016	Meeting date 14 July 2016	Meeting date 25 December 2016	Total attendance
His Majesty N.A. Achebe	✓	✓	✓	3 Meetings
Ammuna Lawan Ali	✓	X	✓	2 Meetings
Mr. A.N.A. Peterside	✓	✓	✓	3 Meetings
Mr Mutiu Sunmonu	X	✓	✓	2 Meetings

✓ - Present
X – Absent with apologies

Audit Committee meetings

During 2016, the Audit Committee held four meetings. In the course of the year, Mr Ologbaraete Pinnick, resigned from the Board and the Audit Committee and was subsequently replaced by Mr Felix Enwemadu. The record of members' attendance is presented below:

Name	Meeting date 16 March 2016	Meeting date 13 July 2016	Meeting date 19 October 2016	Meeting date 16 December 2016	Total attendance
Alhaji W. Adegbite	NYA	✓	✓	✓	3 Meetings
Mr L. N. Onwuka	✓	✓	✓	✓	4 Meetings
Prince B. Adebanjo	✓	NLAM	NLAM	NLAM	1 Meeting
Alhaji W. Ajani	✓	✓	✓	✓	4 Meetings
Mrs A. Alabi	NYA	✓	X	✓	2 Meetings
Mr. O. K. Pinnick	✓	NLAM	NLAM	NLAM	1 Meeting
Mr. James Todd	✓	✓	✓	X	3 Meetings
Mr. Atedo Peterside	✓	NLAM	NLAM	NLAM	1 Meeting
Mr Felix Enwemadu	NYA	NYA	NYA	X	Nil

✓ Present
X – Absent with apologies
NLAM - No longer a member
NYA - Not yet appointed

Report of the Directors (continued)

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 2015 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 2016 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.	Chairman and 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:

Director	Number of shares held at 31 December 2016 & up to 31 March 2017	Number of shares held at 31 December 2015
His Majesty N. A. Achebe	55,976	55,976
Mr Yaw Nsarkoh	Nil	Nil
Mrs Abiola Alabi	Nil	Nil
Ammuna Lawan Ali	Nil	Nil
Mr Felix Enwemadu	Nil	Nil
Mr. Atedo N. A. Peterside -Indirect (First ANAP Domestic Trust)	1,000,000	4,000,000
Mr. Ologbaraete K. Pinnick	16,649	16,649
Mrs Adesola Sotande-Peters	Nil	Nil
Mr Mutiu Sunmonu	Nil	Nil
Mr James Todd	Nil	Nil

Report of the Directors (continued)

According to the register of members at 31 December 2016, 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	1,893,006,656	50.04
Unilever Overseas Holdings BV	378,991,487	10.02
Stanbic Nominees Nigeria Ltd (Cummulative Holding)	394,484,759	10.43

The total shareholding of Unilever Overseas Holdings B.V increased to 378,991,487 following open market purchases made during closed periods in 2016.

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, 2016, 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") 2016, Unilever Nigeria Plc. has further strengthened its complaints management procedure. The Company has in place a formal Complaints Management Policy effective by virtue of 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.

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 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 leadership. Internal and external confidential reporting lines are available to encourage reporting of breaches and sanctions are consistently applied for these breaches. In 2015 Unilever set up a dedicated Business Integrity organization separate and distinct from Audit and Risk organization to focus more 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 of Responsible Sourcing Policy as may be applicable.

Employment policy

At Unilever Nigeria, we strongly believe that in order to win in market place, we must win with people and through people. This unwavering premise constantly guides us in the way we work and culminates in our policies and practices at every stage of our employment cycle. Thus, we strive to remain an equal opportunity employer passionate about diversity and inclusivity, mutual respect as well as encouraging vibrant communication and consultation between employees and the leadership team.

Report of the Directors (continued)

Our core values and Code of Business Principles define what we stand for and the framework in which we do business. These are values 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 who drive our business; people with Growth mindset, Consumer and Customer focus, Bias for action; people with strong sense of accountability and responsibility and who have the ability to build talent and teams.

Talent Development

Our people are an essential part of our sustainable competitive advantage in this ever increasingly connected world. This is why our most trusted principle in creating opportunities for development and connecting our employees with those opportunities has continued to set us apart within the FMCG industry. Thus while we encourage employees to take ownership of their personal development, we have robust technology enabled systems in place to help them develop better leadership, professional and general skills to enhance engagement and productivity.

In addition to our focus on experiential development through on-the job deliverables, we implement various initiatives to complement other traditional learning methodologies, with our business leaders being at the fore-front of this drive. Thus, our "Leaders as Teachers" initiative 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.

Employee Engagement

We believe that helping our people find purpose in what they do in a work environment that cares about their overall state of health creates the positive energy which is critical to driving Unilever Nigeria in the desired direction. In this regard we deployed several initiatives to promote a highly engaged and productive workforce, also inspiring a sense of accountability and ownership. One initiative that brought this to light was the wellbeing awareness drive tagged "Thrive". This is an initiative geared towards the sustenance of personal wellbeing and it equipped employees at every level with the right information and support specific to their welfare needs to cultivate a healthy and balanced lifestyle

Also, as part of our drive to foster a productive and inspiring environment where everyone has the freedom of self-expression through the right words and actions, we launched more specific initiatives such as the "Giving Voice to Values and Inclusivity" campaign to furnish employees with tools and techniques to take action when they know what the right thing to do is. The level of motivation and commitment this generated was gratifying as it brought to life the belief that employees can truly make a difference and not look the other way when faced with compromising situations.

Employer Branding

Our objective to attract the best talent was achieved in 2016 through series of initiatives including sustained partnerships with reputable universities that had us hosting student competitions, career talks, seminars etc. Worthy of mention was the deployment of our unique career enlightening programs tagged "Employability Clinic" & "Who wants to be a Unistar" across Nigerian Universities. 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.

Report of the Directors (continued)

This culminated in the 5th Edition of our flagship IdeaTrophy Competition for University undergraduates. Furthermore the Grand Finale was taken to the next level as it brought together over 500 youths to participate in Unilever Youth Employability Fair. These fortunate youths had the privilege of receiving free Vetting of CVs, Career Counselling, and being inspired by the Chairman of the event and keynote speaker Dr. Christopher Kolade (former Nigeria High Commissioner to the United Kingdom). The competition produced two winners who in addition to receiving fantastic prizes represented Nigeria at the regional rounds of the Unilever Africa Ideatrophy competition in South Africa.

Our activities and impact in 2016 were substantiated as Unilever Nigeria was recognized for the third time in a row as No. 1 Top

Employer in Nigeria and Top Employer in Africa. Certified for excellence in Employee Conditions by the Top Employer Institute.

As we look forward to an even more successful 2017, our thrust is to continuously embed all our people related processes and practices towards ensuring Unilever Nigeria maintains and enhances the value afforded to and derived from our most priced assets – our employees.

Sustainability Report: Making a difference for a brighter future – Unilever Sustainable Living Plan

Our strategy for sustainable business

Unilever has from its origins, been a purpose-driven company. Today, our purpose is simple but clear – "to make sustainable living commonplace".

We are living in a world where temperatures are rising, water shortages are more frequent, food supplies are increasingly scarce and the gap between rich and poor increasing. Populations are growing fast, making basic hygiene and sanitation a more major challenge. At Unilever we can see how people the world over are already affected by these changes. And the changes will pose new challenges for us too, as commodity costs fluctuate, markets become unstable and raw materials harder to source.

We believe that business must be part of the solution. But to be so, business will have to change; there is not 'business as usual anymore'. Sustainable equitable growth is the only acceptable business model. Our strategic vision is to double the size of our business while reducing our environmental footprint, and increasing our positive social impact.

In 2010, we launched the Unilever Sustainable Living Plan, which is our blueprint for sustainable business. We will achieve our vision through our Plan; which is helping us 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.

Report of the Directors (continued)

Our strategy for sustainable business (continued)

To achieve our vision for sustainability, we have 3 clear goals under which are specific activities:

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

2016 in review

Helping People Take Action To Improve Their Health And Well-Being

Unilever's sustainable living brands are purposely placed to address health and wellbeing of Nigerians. Our brands have strong social missions which seek to address specific development challenges we face in the country in this regard.

In 2016, we had two key areas of intervention:

1. Knorr Force For Good program:

In Nigeria, almost one in two women of reproductive age and 72% of children under five suffer from anaemia. 50% of these cases are caused by a lack of iron in the body which is often diet-related. As part of Unilever's commitment to sustainable living, the Knorr Force for Good program was launched to help reduce the prevalence of iron deficiency anaemia in Nigerian women and adolescent girls.

Today, Knorr is the only stock cube fortified with iron and iodine that is absorbed by the body, and helps to prevent anaemia

By the year 2020, Unilever aims to reach 20 Million direct and indirect contacts through the Force For Good programme. The success picture for Unilever on the Force For Good programme is to sustainably change the behavior of millions of mothers and teenage girls by making nutritious, iron fortified cooking more desirable and affordable.
As at the end of 2016, the Knorr Force For Good program reached 75,000 households (including mothers and daughters) through a four-week behavioral change program. The activation included visiting schools in rural areas where cases of anaemia are prevalent; to educate adolescent girls and their mothers on the importance of cooking more nutritious meals through the Knorr Green Food Steps. The states visited were Nasarawa, Benue, Kaduna, Abuja and Kogi.

Following these activations, the activity report showed that 41% of respondents had started adding leafy vegetables to their stew.

Through the wide reach and positive change in habit, as more women now make more nutritious meals for their household.

2. Pepsodent schools program

Unilever Nigeria aims 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 in 2012, to improve oral health amongst Nigerians

Unilever Nigeria partners with relevant stakeholders in the health sector to promote a healthy oral lifestyle for Nigerians. The 21-day behavioral change programme directly educates and motivates primary school children in Government schools on the importance of good oral hygiene. 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.
Since inception of the Oral Health Schools Programme, Unilever has directly reached over 2.5 million Nigerian children in 4,500 Government primary schools with our products (Pepsodent and toothbrushes), free educational materials and brand instruction ambassadors.

Report of the Directors (continued)

Furtherance to ensuring good dental care for all Nigerians, Unilever signed a Memorandum of Understanding with the Federal Government, through The Federal Ministry of Health to promote oral hygiene by educating 10 million Nigerian pupils by 2020. The MoU was signed in 2016 at the 6th edition of the National Oral Health Week in Abuja.

At the end of 2016, Pepsodent Brush Day & Night campaign reached over 1 million pupils with activations in 1000 schools within Lagos and Oyo states.

Enhancing Livelihoods

Due to the global economic challenges, unemployment and poverty have inevitably remained two major issues facing individuals today. For Unilever, we are committed to contributing to the economic well-being of communities, through employment, training and our value chain.

In 2016 we had 3 key areas of intervention:

1. Creating value along the supply chain:

The "SHAKTI" (Mbuli, Gbemiga, Tallapi) project is an initiative that creates an opportunity for women to increase their earnings and improve the quality of their lives. Gbemiga registers, trains and provides women in rural communities with capital to begin trading Unilever products to households and small stores within their communities. The project piloted in Oyo, Ogun, Imo and Enugu State in 2015, while in 2016, Project Shakti expanded to 6 additional states including Nasarrawa, Ebonyi, Anambra, Delta, Edo and Benue. As at the end of 2016, over 1000+ women were empowered in these six states. So far, these women have undertaken basic book keeping/market working trainings and workshops on nutrition.

2. Customer Development Motorbikes Project

In line with our aim of creating value and employment along our supply chain, the motorbike project was launched as a means of promoting entrepreneurship by operationalizing third party sub-distributors across Nigeria; through the use of two- wheelers bikes.

As at quarter 3 of 2016, there were 99 bikes in operation, and then in quarter 4 of 2016, over 100 additional bikes were deployed. The scheme which is deliberately creating employment and distribution channels, to date has a total of 250 employees, with the aim of furthering this ambition in 2017 and beyond.

3. Lipton push-cart:

Tea is the most popular non-alcoholic beverage after water, and millions of Nigerians continue to indulge in our variety of tea flavours every day. The Lipton Push-Cart has continued to address unemployment challenge, with a carefully designed framework that creates third party employment opportunities along our supply chain. This initiative aims at providing job opportunities to 1000 push-cart vendors in 2020, while sourcing our tea sustainably.

Report of the Directors (continued)

Halving the Environmental Footprint of our Operations

As a business, we have now moved from the phase of discussing the change we need, to actually executing it, by cultivating habits that reduce environmental footprint such as dealing with packaging that may affect "post-consumer" waste, review energy and water consumption.

In 2016, Unilever continued to exhibit best practice environmental policies which includes the "zero waste to landfill" agenda. Wastes generated from the company's factory sites are reused or recycled. Facilities have been put in place to measure real time consumption of utilities such as water, steam, energy and power, enabling the effective monitoring of resources used per unit, to further ensure reduction.
In 2016, Unilever Nigeria awarded a grant to WeCyclers (A company that manages the collection and recycling of waste) to extend its waste recovery program to more communities in Lagos and Ogun State.
This is in line with the Company's commitment to continue to conserve the environment, as well as create more job opportunities and promote entrepreneurship amongst young Nigerians.

Future Outlook For 2017

In 2016, Unilever Nigeria held a strategic Unilever Sustainable Living Plan (USLP) Workshop in Lagos, to re-strategize and upscale the existing USLP framework, in the context of its relevance to business operations. In 2017, our business strategy of making sustainable living commonplace will be enhanced in Nigeria.

The four pillars include:

Project Heart; driven by Pepsodent, Lifebuoy and Pears, which are concerned with improving oral health, hygiene and wellbeing of Nigerians. By 2020, the goal is to tackle the issue of oral hygiene by encouraging 10 million Nigerian children, cultivate proper handwashing habits amongst children before the age 5, as well as and nourishing, and comfort newborns.

Project new life; driven by powerful food brands: Knorr and Blueband; to enhance livelihood of Nigerians through sustainable sourcing and provision of everyday nutrition, by unlocking favour and goodness in every meal.

Project Greenland; driven by Sunlight, seeks to improve waterbodies and hygiene by stimulating proper packaging disposal/recycling, and bringing a water reducing innovation by 2018.

Project Reach; driven by Unilever's range of brands towards the empowerment of women and youth, to address unemployment and poverty trends in Nigeria. Our target is to use our business model to create 1 million job opportunities for Nigerians by 2020.

Corporate Social Responsibility in 2016	**Naira**
Secondary school scholarships	10,000,000
Donation of products to schools, charity homes etc.	8,786,715
Total	**18,786,715**

Report of the Directors (continued)

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 over the last 10 year; and strive to continue to abhor even minor injuries.
Unilever employs the use of a robust management systems and continuous improvements, comprising of total employee engagements, visible leadership, behavioural safety audits, deep compliance audits, Safety committees, safe travels and logistics safety as examples. We start every week with a safety talk on Mondays – across the business and continually promote a culture of safety awareness with monthly educational campaigns on various topics like line ownership, I care culture, Environmental awareness, off- the - job safety etc. We engage with regulatory agencies like the FRSC to also assist to educate our employees and contractors.

The Company continues to implement key Technical Standards in Electrical safety, Fire safety, Working At Height, Permit To Work, Machines Safety and Risk Assessment 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 waste reduction, recycle and re-use, energy reduction, water consumption reduction and rigorous "Zero Non-Hazardous Waste to Landfill" initiatives in order to reduce or 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 land various programs to improve health, lifestyle and promote behavioural changes. Some of these program includes Preventive Medicine through Lamplighter where employees are encouraged to carry out comprehensive health checks, promotion of mental resilience (using Thrive), Travel medicine etc. Additionally, there are long –standing initiatives including quarterly aerobic sessions and the free access to onsite gymnasium by our employees.

Unilever enjoys resolute support of the leadership team, whose members head all the safety & health committees, and makes the realization of all the SHE programs possible. Furthermore, every employee, including contractors engaged on our business remains committed to the principles of maintaining a healthy, safe and secure work environment that will propel us into further productivity.

Report of the Directors (continued)

Quality Policy

Unilever's reputation is founded on delighting our consumers and customers with consistently great product quality that meets or exceeds their needs and expectations. Our aim is to be the most trusted and preferred customer and consumer choice on every occasion. Unilever is committed to achieving this goal by meeting or exceeding all legal and regulatory requirements and through the rigorous application of our Quality Management System. Each personal product quality experience for our consumers depends upon all employees understanding their roles and responsibilities and ensuring that they adhere to Unilever's quality standards, business processes and regulatory requirements at all times.

Unilever will take prompt and timely action wherever and whenever we encounter products which don't meet our standards or those required in the marketplace. We will continuously improve product quality experiences by using the insights gained from our performance measures and from consumer and customer feedback.

This Policy applies to all aspects of product quality including safety, design, formulation, raw materials, primary/secondary/tertiary packaging, manufacture, storage, transport, display, marketing, communication, sales and disposal of Unilever products – at Unilever, third party or business partner facilities.

Unilever Nigeria Key Distributors

UNILEVER KEY DISTRIBUTORS	
KD Name	**Region**
Suara & Company	Lagos
Itura Ventures Limited	Lagos
De Moshadek And Company Nigeria	Lagos
Icojon Integrated Consultants Limited	Lagos
Renuzi Ventures	Lagos
Worthy Ventures Limited	Lagos
Caniz Limited	Lagos
Adebola Distribution Enterprises	Lagos
Chrislanbolu Trade & Eng. Serv. Limited	Lagos
Caniz Ikotun	Lagos
Opaline Global Services Limited	Lagos
Ofakia Ventures Limited	Lagos
J A Onabowale Lagos	Lagos
Convenant Success Supermarket	Lagos
Sam And Martha Investment Ltd	Lagos
J.O Adebiyi & Sons Nigeria Ltd	Middle Belt
Ifjane Nigeria Limited	Middle Belt
Kesy Distribution And Logistic Ltd	Middle Belt
Jodeb Ultimates Investment Ltd	Middle Belt
Dupet Light International Ltd. Makurdi	Middle Belt
Iduh Integrated Services Nig Ltd	Middle Belt
JJ Nnoli And Sons	Middle Belt
Olayiwola Gbadamosi Company Nigeria	Middle Belt
Dom Bee Nigeria Limited	Middle Belt
Iduh Integrated Abuja	Middle Belt
Dupet Light International Ltd.	Middle Belt
Aub And Sons Integrated Services	Middle Belt

Report of the Directors (continued)

Unilever Nigeria Key Distributors (continued)

KD Name	Region
Baba Gana Mafoni	North East
A D Basharu And Sons (Nig) Limited	North East
S C Okafor Nigeria Limited	North East
Naheem Heights Limited	North East
A.D. Basharu & Sons Nig Ltd Jalingo	North East
Alakass Nigeria Enterprises	North West
Lasun Dan Mama Nigeria Limited	North West
Al-Babello Trading Company Kebbi	North West
J A Onabowale And Sons Limited	North West
Sidi And Sons	North West
Tagmawashi Resort Limited	North West
Arinola Precious Ventures	North West
Al-Babello Trading Company Limited	North West
Prime General Merchants Limited	North West
Alh. Yaro Gobirawa And Sons Limited	North West
Al-Babello Gusau	North West
Alhaji Abu Zamau Enterprises	North West
Al-Babello Trading Company Ltd Katsina	North West
Charles Aman Nigeria Limited	South Central
Tivo Corporate Services International Limited	South Central
Sylika Global Resources Enterprises	South Central
Tivo Corporate Services International Limited	South Central
Ibokies Nigeria Company	South Central
Rickafe Services Limited	South Central
Ursulasam Ventures	South Central
M.E Ugbor And Brothers Nigeria Limited	South Central
Humphrey Okechukwu Nwoji Enterprise	South Central
Chuduak Limited	South Central
Prenica And Company Nigeria Limited	South Central
Steve Sylver Nigeria Limited	South Central
Charleson Industrial Supplies Limited	South Central
Globalog Enterprises	South Central
Blessed Iyke Stores	South Central
Igwediebube Nigeria Limited	South East
Isangette Enterprises	South East
P O Konyeha And Sons	South East
Grab & Munch	South East
Eleru Brand Ltd	South East
IGWT Worldwide Concept	South East
G.N Chukwu & Sons Enterprises	South East
Eleru Brand Ph	South East
B N Igwe And Sons	South East
Theo And Powell Services Limited	South East
Kaima Integrated Network Ventures Limited	South East
M O Okoro And Sons Limited	South East
Cy Obiora Nig Enterprises	South East
Igbozulike Investment Limited	South East

Report of the Directors (continued)

Unilever Nigeria Key Distributors (continued)

KD Name	Region
Gods Power Enterprises	West
Estfrans Ventures Limited	West
Dan Sarat Company Nig Ltd	West
Hats Investment And Promotions Limited	West
Hasbar Investment Nigeria Limited	West
Debby Mega Merchants Limited	West
R S Abimbola (Nigeria) Enterprises	West
J O Adegboyega Enterprises	West
Nebabs Limited	West
David Uthman Limited	West
John Bosco Trading Company Limited	West

Independent auditor

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules on tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357(2) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

By Order of the Board

Mrs. Abidemi Ademola
Legal Director and Company Secretary
FRC/2013/NBA/00000001646

16 March 2017

Statement of Directors' responsibilities for the year ended 31 December 2016

The directors accept responsibility for the preparation of the annual financial statements set out on pages 35 to 79 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:

His Majesty N.A. Achebe CFR, MNI	Yaw Nsarkoh	Adesola Sotande-Peters
Chairman	Managing Director	Finance Director
FRC/2013/NIM/00000001568	FRC/2014/IODN/00000007035	FRC/2015/ICAN/00000010834

16 March 2017

CIRCULAR TO SHAREHOLDERS SEEKING A GENERAL MANDATE AUTHORIZING TRANSACTIONS WITH RELATED PARTIES OF VALUE UP TO AND MORE THAN 5% OF UNILEVER NIGERIA PLC. NET TANGIBLE ASSETS

In accordance with Paragraph 6.0 of the Nigerian Stock Exchange Rules Governing Transactions with Related Parties or Interested Persons, Unilever Nigeria Plc. hereby seeks a general mandate from shareholders in general meeting, authorizing the Company to enter into recurrent transactions necessary for its day to day operations such as the purchase and sale of supplies and materials and procurement of goods and services, with its related parties to wit Unilever Overseas Holdings B.V., Unilever Plc, United Kingdom and other entities within the Unilever Group, up to transactions of a value equal to or more than 5% of Unilever Nigeria Plc's net tangible assets.

The following information is hereby provided in respect of the transactions for which the general mandate is sought:

i. Class of interested persons with which the entity at risk will be transacting:
   a. Parent Company – Unilever Plc
   b. Holding Company – Unilever NV
   c. Other Companies within the Unilever Group

ii. Nature of transactions contemplated under the mandate
   a. Import and export of raw materials and finished goods
   b. Import and export of materials
   c. Services – Cross charges of pension costs, international assignees costs and other services such as Trade mark license, Technology License, Central Services and Financial Services

iii. Rationale for, and benefit to the entity
   a. Access to Unilever logo and trade marks, up to date technology and service expertise
   b. Competitive sourcing prices through negotiated transfer pricing
   c. Seamless reconciliation of transactions and balances on a line item level
   d. Pro-active, managed dispute resolution process
   e. Full transparency of all intercompany differences
   f. Enforced compliance with internal intercompany processes and external regulations.
   g. Ensures adequate monitoring of receivables and payables
   h. Reduced financial risk
   i. Business continuity

iv. Methods or procedures for determining transaction prices
   Transfer Pricing methods as follows:
   a. Comparable uncontrolled price.
   b. Resale price method.
   c. Cost plus method.
   d. Transactional net margin method.

v. We have received Independent financial advisers' opinion which confirmed that our transfer pricing methods or procedures are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to the interests of Unilever Nigeria Plc. and its minority shareholders.

vi. Unilever Nigeria Plc. shall obtain a fresh mandate from the shareholders if the transfer pricing methods or procedures become inappropriate and

vii. Unilever Overseas Holdings B.V. and/or Unilever Plc, United Kingdom shall abstain and has undertaken to ensure that its associates shall abstain from voting on the Resolution approving the general mandate.

Dated this 16 March, 2017
By Order of the Board

ABademola

Mrs Abidemi Ademola
Director, Legal and Company Secretary
FRC/2013/NBA/00000001646

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 ethical practices.
2. The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal controls systems.
3. We have considered the independent auditors' post-audit report in respect of year ended 31 December, 2016 and management responses thereon, and are satisfied thereto."

Members of the Audit Committee are:

1.	Alhaji Waheed Adegbite	-	Chairman & Shareholder's Representative
2.	Mr Lazarus Onwuka	-	Shareholder's Representative
3.	Alhaji Wahab A. Ajani	-	Shareholder's Representative
4.	Mrs Abiola Alabi	-	Non-Executive Director
5.	Mr Felix Enwemadu	-	Executive Director
6.	Mr James Todd	-	Non-Executive Director

Dated this 15 March, 2017

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Alhaji Waheed Adegbite
Chairman
FRC/2013/ICAN/00000002532

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 www.kpmg.com/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 2016, the income statement, the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2016, 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. Revenue Recognition	
Refer to Significant accounting policies (Note 1.20) and Revenue (Note 4) on pages 50 and 56 respectively of the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Revenue is the most significant income statement account and impacts majority of the key performance indicators on which the Company and its directors are assessed. Its significance makes revenue a matter of focus in our audit.	Our audit procedures in this area included among others: - We evaluated the design and implementation and the operating effectiveness of key automated and manual internal controls over the quantity and unit prices of goods sold and the approval of invoices. We involved our own specialists to assist with evaluating the key automated access controls over the approval of invoices on the Company's SAP Enterprise Resource Planning (ERP) system.

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a. Revenue Recognition (continued)	
Refer to Significant accounting policies (Note 1.20) and Revenue (Note 4) on pages 50 and 56 respectively of the financial statements.	
The key audit matter (continued)	**How the matter was addressed in our audit (continued)**
	- We determined the expected quantity sold during the year using the opening stock balance, units produced during the year and closing stock. The expected quantity sold was multiplied by approved unit prices to determine the expected revenue. The expectation was compared with the amount recorded in the Company's general ledger. - We performed an analysis of the monthly revenue trend over the last two years, checked for significant fluctuations and obtained explanations for such fluctuations. - We compared, on a sample basis, the quantity of sales and unit prices on the system to the approved invoices acknowledged by customers. We also recomputed accruals for rebates and sales discount using approved percentages and compared with amount recorded in the Company's general ledger. - We assessed the accuracy of a sample of manual journal entries relating to revenue by checking them to supporting documentation, such as approved credit notes to customers with respect to sales returns or rebates. - We performed cut-off procedures by checking that revenue transactions occurring prior to, and immediately after the year end date were recognised in the correct period.

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b. Valuation of employee benefits	
Refer to critical accounting estimates and Judgment (Note 3) and Retirement benefit and long service award obligations (Note 21) on Pages 55 and 67 to 70 respectively of the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Significant judgment is involved in the valuation of employee benefit obligations. The valuation is based on certain assumptions and estimates which are highly subjective. These assumptions include among others, discount rate, salary increase rate, demographic parameters and inflation rate. Changes in assumptions and estimates used to measure the employee benefit obligations may have a significant effect on the amount recognized in the financial statements.	We performed the following procedures among others: - We obtained the actuarial valuation report prepared by the external actuarial expert who worked for the company. On a sample basis, we compared the underlying membership data used in the valuation report to the human resources documentation for consistency. - In addition, we challenged the key assumptions applied in the valuation by comparing the assumptions to our expectations based on knowledge of the Company, industry experience, relevant market parameters and other externally derived data.

c. Reversal of excess accrual	
Refer to Significant accounting policies (Note 3(iv) and expenses by nature (Note 5(b)) on pages 55 and 58 respectively of the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Company accrues for goods and services received without invoices based on directors' best estimate of the value of such goods and services. These accruals are later adjusted to the actual liability when the actual invoices are received or reconciliations are performed based on confirmation from relevant vendors. The receipt of the invoices/confirmations from vendors were sometimes delayed such that the estimates were retained for more than one financial year. In the current year, the Company received confirmation from the vendors of the outstanding amounts and this necessitated a reassessment of the accruals by the directors. Accordingly, an amount of N898 million was written back to income. This write back of accruals related mainly to custom duties, freight charges and marketing expenses. The accruals are considered an area of significance to the audit due to the judgment involved in making these estimates and the quantum of the amount written back in the current year.	Our audit procedures in this area included the following: - Discussions with the directors to understand the assumptions made in estimating the accrued amounts. We challenged the assumptions of the directors by comparing the assumptions to our expectations based on industry experience and knowledge of the Company. - We also evaluated the appropriateness of the reversals by obtaining confirmations from the third parties and checking that the accruals reversed were no longer required. - We also assessed the adequacy of the accruals at the reporting date by agreeing the accrued amounts to invoices received subsequent to year end. - Where invoices were yet to be received for goods received and/or services rendered, we agreed the relevant accrual to the basis of estimate such as purchase order and evidence of delivery of goods or services.

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Other Information
The directors are responsible for the other information. The other information comprises the Unilever mission statement, Unilever values, Company profile, Board of directors, officer and other corporate information, Results at a glance, Notice to the annual general meeting, Board profile, Report of the directors, Statement of Directors' responsibilities, Circular to shareholders, Report of the Audit Committee and Other national disclosures (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. It also includes financial and non-financial information such as the Chairman's Statement, shareholders' information, amongst others (together "Outstanding reports"), which are expected to be made available to us after that 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 the Audit Committee.

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 Nigeria 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 has 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.

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- 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 other comprehensive income are in agreement with the books of account.

Signed:

Goodluck C. Obi, FCA
FRC/2012/ICAN/00000000442
For: KPMG Professional Services
Chartered Accountants
20 March 2017
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0840359

Income Statement
For the year ended 31 December

	Note	2016 N'000	2015 N'000
Revenue	4	69,777,061	59,221,748
Cost of sales	5	(49,481,020)	(38,174,248)
Gross profit		20,296,041	21,047,500
Selling and distribution expenses	5	(3,151,087)	(2,844,098)
Marketing and administrative expenses	5, 9	(11,464,146)	(13,641,218)
Other income	6	124,237	77,506
Operating profit		5,805,045	4,639,690
Finance income	10	1,027,622	301,889
Finance cost	11	(2,726,245)	(3,170,516)
Profit before taxation		4,106,422	1,771,063
Taxation	12	(1,034,537)	(578,697)
Profit for the year		3,071,885	1,192,366
Attributable to:			
Equity holders		3,071,885	1,192,366
Earnings per share for profit attributable to equity holders:			
Basic and diluted earnings per share (Naira)	13	0.81	0.32

The notes on pages 41 to 77 form an integral part of these financial statements.

Statement of Total Comprehensive Income
For the year ended 31 December

	Note	2016 N'000	2015 N'000
Profit for the year		3,071,885	1,192,366
Items that will not be reclassified to income statement:			
Remeasurement on post employment benefit obligations	21(vi)	1,092,263	(614,291)
Tax effect	12	(349,524)	184,287
Total comprehensive income		3,814,624	762,362
Attributable to:			
Equity holders		3,814,624	762,362

The notes on pages 41 to 77 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December

	Note	31 December 2016	31 December 2015
		N'000	N'000
Assets			
Non-current assets			
Property, plant and equipment	14(i)	29,272,186	27,368,919
Intangible assets	15	940,124	1,168,581
Other non- current assets	30	140,160	208,809
Employee loan receivable	31	111,671	127,979
Retirement benefit surplus	21(v)	484,621	290,382
		30,948,762	29,164,670
Current assets			
Assets held for sale	32	171,411	171,411
Inventories	16	9,878,499	6,173,113
Trade and other receivables	17	18,945,578	10,142,845
Employee loan receivable	31	72,918	85,201
Cash and bank balances	18	12,474,141	4,435,244
		41,542,547	21,007,814
Total assets		72,491,309	50,172,484
Liabilities			
Current liabilities			
Trade and other payables	19	32,476,502	22,542,842
Income tax	12	502,855	159,840
Bank overdrafts	18	-	4,535,672
Loans and borrowings	26	20,501,276	7,426,543
Deferred income	27	32,756	32,756
		53,513,389	34,697,653
Non-current liabilities			
Deferred tax liabilities	20	3,942,337	3,060,591
Unfunded retirement benefit obligations	21(iv)	2,613,268	3,369,353
Long service award obligations	21(iv)	181,166	266,548
Other employee benefits	28	74,150	88,494
Deferred income	27	62,781	95,537
Loans and borrowings	26	414,275	591,055
		7,287,977	7,471,578
Total liabilities		60,801,366	42,169,231

Statement of Financial Position (continued)
As at 31 December

	Note	31 December 2016	31 December 2015
		N'000	N'000
Equity			
Ordinary share capital	29	1,891,649	1,891,649
Share premium	29	45,717	45,717
Retained earnings		9,752,577	6,065,887
Total equity		11,689,943	8,003,253
Total equity and liabilities		72,491,309	50,172,484

The financial statements on pages 35 to 79 were approved for issue by the Board of Directors on 16 March 2017 and signed on its behalf by:

His Majesty N.A. Achebe CFR, MNI	Yaw Nsarkoh	Adesola Sotande-Peters
Chairman	Managing Director	Finance Director
FRC/2013/NIM/00000001568	FRC/2014/IODN/00000007035	FRC/2015/ICAN/00000010834

The notes on pages 41 to 77 form an integral part of these financial statements.

Statement of Changes in Equity
Year ended 31 December 2016

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2015	1,891,649	45,717	5,541,442	7,478,808
Total comprehensive income for the year				
Profit for the year	-	-	1,192,366	1,192,366
Other comprehensive income				
Remeasurement on post employment benefit obligations, net of tax	-	-	(430,004)	(430,004)
	-	-	762,362	762,362
Transactions with owners				
Dividend declared	-	-	(378,330)	(378,330)
Statute barred dividend	-	-	140,413	140,413
			(237,917)	(237,917)
At 31 December 2015	1,891,649	45,717	6,065,887	8,003,253
Balance at 1 January 2016	1,891,649	45,717	6,065,887	8,003,253
Total comprehensive income for the year				
Profit for the year	-	-	3,071,885	3,071,885
Other comprehensive income				
Remeasurement on post employment benefit obligations, net of tax	-	-	742,739	742,739
	-	-	3,814,624	3,814,624
Transactions with owners				
Dividend declared	-	-	(189,165)	(189,165)
Statute barred dividend			61,231	61,231
At 31 December 2016	1,891,649	45,717	9,752,577	11,689,943

The notes on pages 41 to 77 form an integral part of these financial statements.

Statement of Cash Flows
Year ended 31 December

	Note	2016 N'000	2015 N'000
Cash flows from operating activities			
Cash generated from operations	23	6,734,269	16,372,963
Retirement benefits paid	21(iv)	(567,002)	(529,948)
Long service award obligations paid	21(iv)	(17,461)	(13,079)
Tax paid	12(ii)	(159,300)	(239,989)
Net cash flow generated from operating activities		5,990,506	15,589,947
Cash flows from investing activities			
Interest received	10	333,174	301,889
Purchase of intangible assets	15	(5,488)	(4,027)
Purchase of property, plant and equipment	14(i)	(4,228,146)	(5,068,498)
Proceeds from sale of property, plant and equipment		16,967	86,094
Net cash used in investing activities		(3,883,493)	(4,684,542)
Cash flows from financing activities			
Drawdown of long-term loan	26(iii)	-	15,000
Repayment of long-term loan	26(iii), 26(iv)	(427,145)	(440,738)
Drawdown of short-term loan	26(ii)	15,491,446	-
Interest paid		(2,410,357)	(2,983,286)
Dividend paid		(186,388)	(378,330)
Net cash flow generated from /(used in) financing activities		12,467,556	(3,787,354)
Net increase in cash and cash equivalents		14,574,569	7,118,051
Cash and cash equivalents at the beginning of the year		(7,100,428)	(14,218,479)
Cash and cash equivalents at the end of the year	18	7,474,141	(7,100,428)

The notes on pages 41 to 77 form an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

1.1 Basis of preparation

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. The financial statements have been prepared under the historical cost convention, as modified by the fair value measurement of available-for-sale financial assets, inventories measured at lower of cost or net realisable value, loans and borrowings carried at fair value. liabilities for cash-settled shared-based payment and the liability for defined benefit obligations which is recognized as the present value of the defined benefit obligation less the total of the plan assets, and adjusted for actuarial gains, past service cost and actuarial losses. The plan assets for defined benefit obligations are also measured at fair value. The financial statements are presented in Nigerian Naira, rounded to the nearest thousand (N'000) unless otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.1.1 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.

1.2 Amended accounting standards adopted

The following standard has been adopted by the Company for the first time for the financial year beginning on or after 1 January 2016:

(i) *IAS 1 Presentation of Financial Statements - amendment on disclosure initiative*

(ii) *Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)*

(iii) *IAS 19 Employee Benefits- amendment in classification*

(iv) *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - amendments on held for distribution*

1.3 New accounting standards issued but not yet adopted

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ended 31 December 2016 and have not been early adopted:

(i) *Amendments to IAS 7 Statement of Cash Flows (Disclosure Initiative)*
The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This inlcudes providing a reconciliation between the opening and closing balances arising from financing activities. The amendment becomes effective for annual periods beginning on or after 1 January 2017.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.3 New accounting standards issued but not yet adopted (continued)

(ii) Amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2017.

(iii) IFRS 9 Financial Instruments

IFRS 9 was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The amendment becomes effective for annual periods beginning on or after 1 January 2018.

(iv) IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. The amendment becomes effective for annual periods beginning on or after 1 January 2018.

(v) IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019 and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

(vi) Amendments to IFRS 2 – Share Based Payment (Classification and measurement of share based payment transactions)

The amendments cover three accounting areas; measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendment becomes effective for annual periods beginning on or after 1 January 2018.

(vii) IFRIC 22 - Foreign currency transactions and advance consideration

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt. The amendment becomes effective for annual periods beginning on or after 1 January 2018.

The Company is yet to assess the impact of all accounting standards issued but not yet adopted.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Leadership Team of Unilever, comprising of the executive directors and other key management personnel.

1.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of Unilever are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Nigerian Naira, rounded to the nearest thousand, which is Unilever's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from translation of monetary assets and liabilities denominated in currencies other than the entity's functional currency at year end exchange rates, are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

1.6 Property, plant and equipment

(i) Recognition and measurement

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 gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment and are recognized net within other income in 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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

1.6 Property, plant and equipment (continued)

(iii) Depreciation

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

Leasehold land	-	Nil (2015: Over the lease term)
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 profit or loss.

The capital work-in-progress represents buildings under construction and machinery yet to be installed. It is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

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

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than it's estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(iv) De-recognition

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

1.7 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 Unilever are recognised as intangible assets when the following criteria are met:

- 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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.7 Intangible assets (continued)

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.

1.8 Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups, are classified as 'held for sale' when it is highly probable that they will be recovered primarily through sale rather than through continuing use. The following criteria are assessed:

- a decision has been made to sell;
- the assets are available for sale immediately;
- the assets are being actively marketed;
- a sale has been agreed or is expected to be concluded within twelve months of the balance sheet date.

Immediately prior to classification as held for sale, the assets or groups of assets are remeasured in accordance with Unilever's accounting policies. Subsequently, assets and disposal groups classified as held for sale are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

1.9 Impairment of non-financial assets

An impairment loss is recognised for non-financial assets when the amount by which 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). 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 assets are assessed for indicators of impairment at the end of each reporting period.

1.10 Financial instruments

Financial instruments (i.e. financial assets and liabilities) are recognized when Unilever becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Unilever has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

1.10.1 Classification

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Unilever's loans and receivables comprise trade receivables, employee loan receivables and other receivables in the statement of financial position.

(ii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, bank debt and other long-term debts.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.10.2 Measurement

(i) Loans and receivables

Loans and receivables are initially recognized at fair value. Transaction costs are added to the fair value of the financial asset on initial recognition. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less an allowance for impairment.

(ii) Financial liabilities at amortized cost

Trade payables are initially recognized at fair value less any directly attributable transaction costs. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

1.11 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is 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.

1.12 Impairment of financial assets

Assets carried at amortised cost

Unilever assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that Unilever uses to determine that there is objective evidence of an impairment loss include the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Unilever, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Unilever first assesses whether objective evidence of impairment exists.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.13 Fair value measurement

Unilever measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 24.

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

1.14 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. 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, work in progress and finished goods are stated at standard cost while that of engineering spares and other items of inventories is calculated using the weighted average method. Standard cost is reviewed periodically to ensure they consistently approximate historical cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.15 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 Unilever's cash management.

1.16 Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.17 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 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.

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

1.18 Income tax

The tax for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The tax currently payable is based on taxable profit for the year and any adjustment to tax payable or receivable in respect of previous years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Unilever's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

(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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.18 Income tax (continued)

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 Unilever 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.

1.19 Employee benefits

(a) Post-employment benefit plans

Unilever operates a defined contribution benefit scheme, an unfunded defined benefit service gratuity scheme for its employees; and other post-employment benefit plans.

(i) Defined contribution scheme

Unilever 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. Unilever 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:

	Management staff	**Non-management staff**
Employer	10%	16%
Employee	8%	10%

(ii) Defined benefit plans

Unilever 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 balance sheet 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 statement of income 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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.19 Employee benefits (continued)

(b) Other long term employee benefits

Unilever measures long term employee benefits using the same accounting policies for defined benefit plans except that actuarial gains and losses, and past service cost are recognised as expense or income immediately.

(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'. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. 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 benefits - Profit-sharing and bonus plans

Unilever recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to Unilever's shareholders after certain adjustments. Unilever recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Discounts given by Unilever include rebates, price reductions and incentives given to customers.

Revenue for goods is recognised when:

- The significant risks and rewards of ownership have been transferred to the customer
- Unilever does not retain effective control over goods sold
- The amount of revenue can be reliably measured
- It is possible that the economic benefits associated with the transaction will flow to Unilever
- The costs incurred in respect of the sale can be measured reliably

1.21 Leases

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.

1.22 Dividend distribution

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.23 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 paybles to foreign suppliers which has been included in cost of sales) and derivative gains on derivativee 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.

1.24 Share capital

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.

1.25 Other non-current assets

Other non-current assets represent the difference between cash outflow of prepaid employee benefits and the present value of amounts recoverable. The amortisation of the amount is charged to income statement annually. The current portion of the prepaid benefits is included in employee loan receivable.

Other non-current assets also represent non-current portion of prepayments.

1.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement on a systematic basis over the period necessary to match them with the costs that they are intended to compensate.

Notes to the financial statements (continued)

2 Financial risk management

2.1 Financial risk factors

Unilever's activities expose it to a variety of financial risks: market risk (foreign exchange 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.

(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) Foreign exchange risk

Unilever is exposed to foreign exchange risk arising from various currency exposures.

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, Over the Counter non-deliverable futures anchored by FMDQ as well as the 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 FMDQ/interbank 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 2016, the unhedged financial assets and financial liabilities amounted to N11.1 billion (2015: N2.1 billion).

At 31 December 2016, if the Naira had weakened/strengthened by 76%* 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 N6.4 billion higher/lower.

At 31 December 2016, if the Naira had weakened/strengthened by 76%* 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 N69.6 million higher/lower.

*76% represents the 5 year average change in the conversion rate of key currencies to Naira.

During the year, the Company entered future contracts to hedge its currency risk with a maturity of less than 1 year from the reporting date. As at the reporting date, the amount of derivative gain recognised in the profit or loss amounts to N13.4m (Note 10)

(ii) Cash flow and fair value interest rate risk

Unilever's interest rate risk arises from bank overdrafts and bank 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 short-term borrowings in 2016 was 18.3% (2015: 15%).

Notes to the financial statements (continued)

2 Financial risk management (continued)

2.1 Financial risk factors

The following table shows the split in fixed and floating rate exposures:

	2016 N'000	2015 N'000
Fixed rate (bank loans) - Note 26	5,768,831	8,017,598
Floating rates (intercompany loan) - Note 26	15,146,720	-
Floating rates (bank overdrafts) - Note 18	-	4,535,672
	20,915,551	12,553,270

Assuming that all other variables remain constant, a 1% increase in floating interest rates on a full year basis would lead to an additional N4.07 million charge to the income statement (2015: N45.4 million). A 1% decrease in floating interest rates on a full-year basis would have an equal but opposite effect.

(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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only parties classified as "International Golden Circle" (preferred choice for the Unilever group) are accepted. Exposure limit with the banks is set at a maximum of N3.5 billion. Risk control assesses the credit quality of wholesale customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board or external ratings. The utilisation of credit limits is regularly monitored.

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.

Employees are not considered a credit risk as amounts due from employees are deductible monthly from gross pay.

The disclosure in Note 16 specifically identifies a group of trade receivables i.e. the key distributors whose dealerships were terminated between 2008 and 2012, and have been fully impaired. However the gross balances (and related impairment) have been retained in the books to enable management monitor ongoing litigation involving some of the distributors.

(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.

Notes to the financial statements (continued)

2 Financial risk management (continued)

2.1 Financial risk factors (continued)

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 N8.9 billion (2015: N1.5 billion). Unilever also had N814 million overdraft (2015: N4.5 billion) and undrawn facilities of N3.3 billion (2015: N18 billion).

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 N'000	Between 3 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
2016						
Trade and other payables*	31,949,912	-	-	-	-	31,949,912
Intercompany Loan	4,809,133	10,337,587	-	-	-	15,146,720
Loans and borrowings	5,088,617	268,571	328,155	314,378	15,333	6,015,054

	Less than 3 months N'000	Between 3 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
2015						
Bank overdrafts	4,535,672	-	-	-	-	4,535,672
Trade and other payables*	22,026,441	-	-	-	-	22,026,441
Loans and borrowings	7,096,018	299,915	365,545	650,650	29,234	8,441,362

	At amortised cost 2016 N'000	2015 N'000
Liabilities as per statement of financial position		
Bank overdrafts (Note 18)	-	4,535,672
Trade and other payables (Note 19)*	31,949,912	22,026,441
Intercompany loan (Note 26)	15,146,720	-
Loans and borrowings (Note 26)	5,768,831	8,017,598
	52,865,463	34,579,711

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

2.2 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 2016 and 2015 were as follows:

	2016 N'000	2015 N'000
Total liabilities	60,801,366	42,169,231
Total assets	72,491,309	50,172,484
Gearing ratio (%)	84%	84%

Notes to the financial statements (continued)

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:

(i) Defined benefit obligations

The cost of defined benefit gratuity plans and the present value of the gratuity obligation 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 PA (90) Male Table and A67/70 Ultimate Tables, both 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 22).

(iii) Determining the fair value of stakeholders' scheme (Note 28).

(iv) Determining accruals for custom duties, freight charges and marketing expenses (Note 19).

Notes to the financial statements (continued)

4. 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 a product category perspective. Unilever is segmented into Food Products (FP) and Home Care (HC) and Personal Care (PC) products.

Foods – including sales of tea, savoury and spreads.
Home Care – including sales of fabric care, household cleaning and water purification products.
Personal Care – including sales of skin care and oral care products.

There are no intersegmental sales and Nigeria is the Company's primary geographical segment as it comprises 95% 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.

2016	Food Products N'000	Home Care N'000	Personal Care N'000	Total N'000
Revenue	36,398,828	15,779,768	17,598,465	69,777,061
Depreciation and amortisation	1,328,831	576,081	642,477	2,547,389
Segmental operating profit	3,058,451	1,325,913	1,478,731	5,863,095
Finance income	536,053	232,393	259,176	1,027,622
Finance cost	(1,422,131)	(616,528)	(687,586)	(2,726,245)
Amortisation of prepaid benefit on employee loan				(58,050)
Profit before taxation				4,106,422

	Food Products N'000	Home Care N'000	Personal Care N'000	Total N'000
Property, plant and equipment	15,269,678	6,619,773	7,382,735	29,272,186
Assets held for sale	-	171,411	-	171,411
Inventories	5,153,066	2,233,978	2,491,455	9,878,499
	20,422,744	9,025,162	9,874,190	39,322,096
Other non-current assets				1,676,576
Cash and bank balances				12,474,141
Other current assets				19,018,496
Trade and other payables				(32,476,502)
Income tax	(262,312)	(113,718)	(126,825)	(502,855)
Deferred income				(95,537)
Loans and borrowings				(20,915,551)
Sub total				18,500,864

Notes to the financial statements (continued)

4. Segment reporting (continued)

	Food Products N'000	Home Care N'000	Personal Care N'000	Total N'000
2016				
Sub total				18,500,864
Deferred tax liabilities				(3,942,337)
Retirement benefit obligations				(2,613,268)
Long service obligations				(181,166)
Other employee benefits				(74,150)
Net assets				11,689,943
Capital expenditure	2,205,590	956,176	1,066,380	4,228,146

2015	Food Products N'000	Home Care N'000	Personal Care N'000	Total N'000
Revenue	29,912,407	11,991,668	17,317,673	59,221,748
Depreciation and amortisation	1,080,922	433,334	625,795	2,140,051
Impairment charge	311,496	124,877	180,339	616,712
Impairment reversal	-	(183,053)	-	(183,053)
Segmental operating profit	2,359,014	945,712	1,365,742	4,670,468
Finance income	152,481	61,129	88,279	301,889
Finance cost	(1,601,401)	(641,990)	(927,125)	(3,170,516)
Amortisation of prepaid benefit on employee loan				(30,778)
Profit before taxation				1,771,063

2015	Food Products N'000	Home Care N'000	Personal Care N'000	Total N'000
Property, plant and equipment	13,823,811	5,541,866	8,003,242	27,368,919
Assets held for sale	-	171,411	-	171,411
Inventories	3,117,987	1,249,979	1,805,147	6,173,113
	16,941,798	6,963,256	9,808,389	33,713,443
Other non-current assets				1,795,751
Cash and bank balances				4,435,244
Other current assets				10,228,046
Trade and other payables				(22,542,842)
Income tax	(80,735)	(32,366)	(46,740)	(159,841)
Bank overdrafts				(4,535,672)
Deferred income				(128,293)
Loans and borrowings				(8,017,598)
Deferred tax liabilities				(3,060,591)
Retirement benefit obligations				(3,369,353)
Long service obligations				(266,548)
Other employee benefits				(88,494)
Net assets				8,003,252
Capital expenditure	2,560,056	1,026,308	1,482,134	5,068,498

Notes to the financial statements (continued)

4. Segment reporting (continued)

	2016 N'000	2015 N'000
Revenue by geographical location of customers:		
Domestic (within Nigeria)	66,429,149	56,940,146
Export (outside Nigeria)	3,347,912	2,281,602
	69,777,061	59,221,748

The Company has 96 (2015: 97) key distributors, and no single key distributor accounted for more than 10% of the Company's revenue.

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

5 Expenses by nature

The following items have been charged/(credited) in arriving at profit before tax:

	2016 N'000	2015 N'000
Raw materials and consumables	35,676,236	28,635,437
Bought in products	6,101,813	2,962,451
Depreciation of property, plant and equipment (Note 14)	2,313,444	1,906,568
Amortisation of intangible assets (Note 15)	233,945	233,483
Allowance for bad and doubtful debts (Note 17)	42,943	41,728
Staff costs (Note 8)	6,748,272	6,961,370
Impairment of property, plant and equipment (Note 14)	0	616,712
Brand and marketing (Note 9)	4,013,565	5,340,136
Service fees (Note 9)	1,533,844	1,307,955
Handling charges	3,151,087	2,844,098
Auditors' remuneration - Audit fees	22,500	15,752
Auditors' remuneration - Non-Audit fees	0	-
Professional service fees	103,775	70,650
Utilities	1,102,482	841,672
Business travel expenses	373,903	449,869
IT costs	1,244,320	791,108
Consumer market research	458,872	448,239
Repairs and maintenance cost	608,283	610,256
Insurance	171,376	161,651
Donations	18,787	212,066
Trainings and meals	131,008	147,725
Office materials	45,798	60,638
Total cost of sales, distribution and administrative expenses	64,096,253	54,659,564
Analysed as:		
Cost of sales	49,481,020	38,174,248
Selling and distribution expenses	3,151,087	2,844,098
Marketing and administrative expenses	11,464,146	13,641,218
	64,096,253	54,659,564

5b Recognised in raw materials and consumables & brand and marketing are amounts of N520 million and N378 million respectively (totaling N898 million), relating to reversal of excess accruals for goods and services received in previous years. Management carried out a review of long outstanding open liabilities and had consultation and reconciliation with creditors to ascertain the validity of these liabilities as at year end. Based on the outcome, the stated amounts were released into the Income Statement.

6 Other income

	2016 N'000	2015 N'000
Profit on disposal of Property, plant and equipment	8,189	77,506
Gain on sale of raw materials (Note 6(i))	116,048	-
	124,237	77,506

(i) This represents net gain on sale of raw materials to a third party during the course of the year. The total sales proceeds and cost of the raw materials amounted to N 1,088 million and N972 million respectively.

Notes to the financial statements (continued)

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:

	2016 N'000	2015 N'000
(i) Short term benefits		
Non executive directors (fees only)	7,000	5,177
Non executive directors (excluding fees)	23,787	22,606
Executive directors	321,526	276,019
Members of the Leadership team (excluding executive directors)	617,992	475,008
	970,305	778,810
(ii) Post-employment benefits:		
Executive directors	10,862	14,111
Members of the Leadership team (excluding executive directors)	28,165	32,481
	39,027	46,592

	2016 N'000	2015 N'000
(iii) The emoluments of the Chairman of Board of Directors	6,997	8,089
(iv) The emoluments of the highest paid director	183,727	153,586

8 Employee benefits expense

	2016 N'000	2015 N'000
Salaries and wages	4,674,406	4,830,056
Pension contribution	431,653	455,629
Gratuity and Long service awards (Note 21(vi))	256,473	206,658
Stakeholders scheme (Note 28)	(14,344)	44,390
Other employee allowances	1,400,084	1,424,637
	6,748,272	6,961,370

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:

	2016 Number	2015 Number
Administration	124	126
Technical and production	882	909
Sales and marketing	201	213
	1,207	1,248

The table below shows the numbers of direct employees of Unilever excluding executive directors, other than employees who discharged their duties wholly or mainly outside Nigeria, who earned over N250,000 in the year and which fell within the bands stated.

N		N	2016 Number	2015 Number
250,001	-	500,000	7	7
500,001	-	750,000	29	14
750,001	-	1,000,000	18	24
1,000,001	-	1,250,000	18	50
1,250,001	-	1,500,000	102	198
1,500,001	-	1,750,000	169	280
1,750,001	-	2,000,000	223	187
2,000,001	-	2,250,000	143	85
2,250,001	-	2,500,000	94	27
2,500,001	-	2,750,000	48	13
2,750,001	-	5,000,000	46	48
5,000,001	-	10,000,000	196	208
10,000,001	-	15,000,000	54	57
15,000,001	-	20,000,000	20	22
20,000,001	-	30,000,000	29	19
30,000,001	-	40,000,000	6	6
40,000,001	-	50,000,000	1	2
50,000,001	-	60,000,000	1	1
60,000,001	-	70,000,000	3	-
			1,207	1,248

9 Marketing and administrative expenses

	2016 N'000	2015 N'000
Brand and marketing	4,013,565	5,340,136
Overheads	5,916,737	6,993,127
Service Fees	1,533,844	1,307,955
	11,464,146	13,641,218

10 Finance income

	2016 N'000	2015 N'000
Interest on call deposits and bank accounts	333,174	207,858
Exchange gain	622,984	63,253
Derivative gain	13,414	-
Interest income from employee loans	58,050	30,778
	1,027,622	301,889

11 Finance costs

	2016 N'000	2015 N'000
Interest expense	2,575,513	2,905,920
Exchange loss	5,110	77,366
Amortised cost interest	145,622	187,230
	2,726,245	3,170,516

Notes to the financial statements (continued)

12 Income tax

(i) Income statement

	2016 N'000	2015 N'000
Current income tax	372,131	56,750
Tertiary education tax	130,724	103,092
Prior year under provision- current income tax	-	2,998
Prior year (over)/under provision - tertiary education tax	(540)	24,219
	502,315	187,059
Deferred tax charge	532,222	391,638
Tax charge to income statement	1,034,537	578,697

Other comprehensive income	2016 N'000	2015 N'000
Deferred tax on temporary differences	349,524	(184,287)

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.

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

	2016 N'000	2015 N'000
At 1 January:		
- Current income tax	56,749	113,498
- Tertiary education tax	103,091	99,272
Charge for the year:		
- Current income tax	372,131	56,750
- Tertiary education tax	130,724	103,092
(Over)/under provision:		
- Current income tax	-	2,998
- Tertiary education tax	(540)	24,219
Tax paid:		
- Current income tax	(56,749)	(116,497)
- Tertiary education tax	(102,551)	(123,492)
At 31 December	502,855	159,840

Notes to the financial statements (continued)

12 Income tax (continued)

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

	2016 N'000	2015 N'000
Profit before tax	4,106,422	1,771,063
Tax calculated at the applicable statutory rate of 32% (2015: 30%)	1,314,055	531,319
Education Tax	-	103,092
Tax effects of expenses not deductible for tax purposes	2,675	261,108
Tax effects on tax incentives	(134,212)	(293,006)
Tax exempt income	(63,048)	-
(Over)/under provision in prior year	-	27,216
Previously unrecognized tax incentives	-	(51,032)
Impact of 2% DT from prior year	(84,933)	-
Tax charge in income statement	1,034,537	578,697

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. The basic earnings per share is calculated using the number of shares in issue at reporting date.

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 (2015: nil), thus the basic earnings per share and diluted earnings per share have the same value.

	2016 N'000	2015 N'000
Profit attributable to shareholders	3,071,885	1,192,366
Number of ordinary shares in issue	3,783,296	3,783,296
Basic and diluted earnings per share (Naira)	0.81	0.32

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)

(i)

	Capital work-in-progress N'000	Lease hold land N'000	Buildings N'000	Plant and machinery N'000	Furniture and equipment N'000	Motor vehicles N'000	Total N'000
Cost							
At 1 January 2015	3,015,302	67,615	7,080,868	24,819,535	1,163,828	828,221	36,975,369
Additions	5,068,498	-	-	-	-	-	5,068,498
Transfers	(6,780,261)	1,708,200	472,618	4,245,509	263,195	90,739	-
Disposals	-	(21,872)	(98,252)	(4,917,403)	(58,341)	(197,200)	(5,293,068)
Write off	(10,132)	-	-	-	-	-	(10,132)
Reclassification to assets held for sale		(20,350)	(326,742)				(347,092)
At 31 December 2015	1,293,407	1,733,593	7,128,492	24,147,641	1,368,682	721,760	36,393,575
Additions	4,228,146	-	-	-	-	-	4,228,146
Transfers	(1,763,662)	80,549	121,503	1,076,401	199,042	286,167	-
Disposals	-	-	-	(2,595)	(203)	(85,560)	(88,358)
Write off	(2,656)	-	-	-	-	-	(2,656)
At 31 December 2016	3,755,235	1,814,142	7,249,995	25,221,447	1,567,521	922,367	40,530,707
Depreciation / impairment							
At 1 January 2015	-	32,282	870,805	10,359,893	299,714	581,896	12,144,590
Depreciation charge for the year	-	7,836	205,063	1,465,540	124,443	103,686	1,906,568
Impairment charge	-	-	-	616,712	-	-	616,712
Reclassification of impairment	-	8,146	174,907	(183,053)	-	-	-
Impairment reversal	-	(8,146)	(174,907)	-	-	-	(183,053)
Disposals	-	-	(108,592)	(4,930,603)	(55,761)	(189,524)	(5,284,480)
Reclassification to assets held for sale		(12,341)	(163,340)				(175,681)
At 31 December 2015	-	27,777	803,936	7,328,489	368,396	496,058	9,024,656
Depreciation charge for the year	-	-	208,314	1,831,950	145,797	127,383	2,313,444
Disposals	-	-	-	-	(303)	(79,276)	(79,579)
At 31 December 2016	-	27,777	1,012,250	9,160,439	513,890	544,165	11,258,521
Net book value:							
At 1 January 2015	3,015,302	35,333	6,210,063	14,459,642	864,114	246,325	24,830,779
At 31 December 2015	1,293,407	1,705,816	6,324,556	16,819,152	1,000,286	225,702	27,368,919
At 31 December 2016	3,755,235	1,786,365	6,237,745	16,061,008	1,053,631	378,202	29,272,186

(ii) Change in accounting estimate

During the year, the Company reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the Government will usually renew the lease upon expiration and that the substance of the lease is that the Company has ownership of the land, not a right to use the land for a predefined period. Consequently, the Company has discontinued depreciation of leasehold land. The change has impacted depreciation charge in the following years as follows:

	2016 N'000	2017 N'000	2018 N'000	2019 N'000
Increase in depreciation	17,930	18,141	18,141	18,141

Notes to the financial statements (continued)

(iii) Security

As at 31 December 2016, no item of property, plant and equipment was pledged as security for liabilities (2015: nil).

(iv) Capital work-in-progress

Capital work in progress of N3.8 billion represents plant and machinery and buildings under construction.

	Land & Building	Plant & Machinery	Furniture and equipment	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000
Capital work-in-progress	131,870	3,226,670	347,467	49,228	3,755,235

(v) Capital commitments

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

	2016 N'000	2015 N'000
Capital commitments	1,600,646	168,048

15 Intangible assets

	2016 N'000	2015 N'000
Cost:		
At January 1	2,186,972	2,182,945
Additions	5,488	4,027
At 31 December	2,192,460	2,186,972
Amortisation:		
At January 1	1,018,391	784,908
Charge for the year	233,945	233,483
At 31 December	1,252,336	1,018,391
Net book value as at 31 December	940,124	1,168,581

Amortisation charge for the year has been included in administrative expenses.

16 Inventories

	2016 N'000	2015 N'000
Raw and packaging materials	6,008,148	3,174,611
Work in progress	563,706	599,929
Goods in Transit	1,165,228	192,433
Finished goods	1,397,021	1,422,949
Engineering spares and other inventories	744,396	783,191
	9,878,499	6,173,113

The amount of inventories written down and included in cost of sales was N461 million (2015: N1,086 million). This represents allowance for slow-moving, obsolete, damaged and missing inventories. There was no utilisation or release to the income statement from inventory provisions during the year (2015: N424 million).
The cost of inventories recognized as an expense and included in cost of sales amounted to N40.7 billion (2015: N30.56 billion).

Notes to the financial statements (continued)

17 Trade and other receivables

(i)

	2016 N'000	2015 N'000
Trade receivables: gross	4,336,828	4,174,782
Less impairment	(307,723)	(1,141,523)
Trade receivables: net	4,029,105	3,033,259
Advances and prepayments	3,152,550	598,881
Unclaimed dividend held with registrar	212,236	396,665
Interest receivable	79,628	-
Other receivables (Note 17 (iv))	1,921,107	486,720
Due from related parties (Note 25)	9,077,172	5,627,320
Deposit for imports (Note 17 (vi))	473,780	-
	18,945,578	10,142,845

Advances and prepayments include prepaid warehouse rents, insurance premium, and advances to vendors

(ii)

	2016 N'000	2015 N'000
Analysis for trade receivables:		
Gross:		
Carrying amount neither past due nor impaired	3,348,032	1,725,642
Carrying amount of trade receivables past due and not impaired, gross (14-30 days)	297,707	1,041,138
Carrying amount of trade receivables past due and not impaired, gross (31-365 days)	383,366	293,760
Carrying amount of trade receivables past due and impaired, gross (over 365 days)	307,723	1,114,242
Impairment:		
Impairment (31 - 365 days)	(43,148)	(27,281)
Impairment (over 365 days)	(264,575)	(1,114,242)
	4,029,105	3,033,259

The amount due over 365 days relates to key distributors whose dealership were terminated or are inactive. No collateral is held by Unilever as security for the amounts; a full allowance has been made for the total amount due.
The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk.

Trade receivables are local dedicated Unilever distributors.

(iii)

	2016 N'000	2015 N'000
Movement in allowance for trade receivables:		
At 1 January	1,141,523	1,099,795
Charged to income statement	42,943	41,728
Bad debt written off	(876,743)	-
At 31 December	307,723	1,141,523

Impairment charge on trade receivables are recognised in administrative expenses.

(iv) Included in other receivables is a derivative asset of N13.4m (2015:Nil) arising from future contracts entered into during the year. The maturity date of the contract is less than 1 year from the reporting date.

(v) Analysis of related parties receivables:

	2016 N'000	2015 N'000
Carrying amount neither past due nor impaired	2,367,091	1,115,421
Carrying amount of related party receivables past due and not impaired, gross (46-365 days)	6,710,081	4,511,899
	9,077,172	5,627,320

Related party receivables arise from export sales which are payable within 45 days and exchange of services which are payable within 30 days.
N7.61 billion of these receivables relate mainly to Unilever Ghana and Cote D' Ivoire. Similarly, the Company has payables of N7.0 billion due to these entities. Consequently, it has assessed that these receivables are not impaired.

(vi) Deposit for imports represents foreign currencies purchased for funding letter of credits in respect of imported raw materials

Notes to the financial statements (continued)

18 Cash and cash equivalents

	2016 N'000	2015 N'000
Cash at bank and in hand	5,702,282	1,549,014
Fixed deposit	6,771,859	2,886,230
Cash and cash equivalents in the statement of Financial Position	12,474,141	4,435,244
Short term bank loan	(5,000,000)	(7,000,000)
Bank overdrafts	-	(4,535,672)
Cash and cash equivalents in the statement of Cash Flows	7,474,141	(7,100,428)

Fixed deposit includes unclaimed dividend of N2.56 billion (2015: N2.7 billion) returned from the registrar.

Unilever had overdraft facilities up to a limit of N3.3 billion as at 31 December 2016 (2015: N18 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.

	2016	2015
The average interest rates on bank overdrafts at the year end is as follows:	15.00%	13.25%

19 Trade and other payables

	2016 N'000	2015 N'000
Trade payables	8,173,171	6,280,820
Amount due to related companies (Note 25)	15,998,593	7,618,844
Dividend payable (Note 19(i))	2,990,997	3,351,652
Accrued liabilities	732,608	1,477,732
Accrued brand and marketing expenses	367,784	366,432
Accrued shipping and freight charges	581,851	692,439
Non trade payables	3,631,498	2,754,923
	32,476,502	22,542,842

(i) Dividend payable

	2016	2015
As at 1 January	3,351,652	414,560
Dividend declared	189,165	378,330
Dividend paid to Registrar	(186,388)	(378,330)
Cash with Registrar for unclaimed dividend	-	396,665
Payment made from cash with Registrar	(184,429)	-
Statute barred dividend	(61,231)	(140,413)
Unclaimed dividend returned by Registrar	-	2,680,840
Payment made from unclaimed dividend investment	(117,772)	-
As at 31 December	2,990,997	3,351,652

For the year ended 31 December 2016, the directors have proposed a dividend of N0.10 per share, amounting to N378 million which will be subject to the approval of the shareholders at the next Annual General Meeting.

Unclaimed dividend returned by the registrar is included in a fixed deposit account. In line with SEC rules, this unclaimed dividend is not available to be used by the Company for its own business.

20 Deferred tax liabilities

Deferred income tax is calculated using the statutory income tax rate of 30% (2015: 30%). The movement on the deferred tax account is as follows:

	2016 N'000	2015 N'000
The movement in deferred tax is as follows:		
Deferred tax liability:		
At start of year	3,060,591	2,853,240
Changes during the year:		
- Charge to income statement (Note 12)	532,222	391,638
- Charge/(credit) to other comprehensive income	349,524	(184,287)
At end of year	3,942,337	3,060,591

Notes to the financial statements (continued)

20 Deferred tax liabilities (continued)

The movement in the deferred tax account is as follows:

Deferred tax liabilities/(assets)	Accelerated tax depreciation N'000	Employee benefit obligations N'000	Non-deductible expenses N'000	Other liabilities N'000	Total N'000
At 1 January 2015	4,181,331	(861,752)	(408,489)	(57,850)	2,853,240
Charge/(credit) to income statement	1,304,943	(199,131)	(709,100)	(5,074)	391,638
Charge to other comprehensive income	-	(184,287)	-	-	(184,287)
At 31 December 2015 / 1 January 2016	5,486,274	(1,245,170)	(1,117,589)	(62,924)	3,060,591
Charge/(credit) to income statement	(29,789)	28,236	860,632	(326,857)	532,222
Charge to other comprehensive income	-	349,524	-	-	349,524
At 31 December 2016	5,456,485	(867,410)	(256,957)	(389,781)	3,942,337

21 Retirement benefit and long service award obligations

(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.

Unilever also operates an unfunded defined benefit plan retirement scheme for employees under its gratuity scheme. For management staff, the benefit payable is 9% of total emolument for each year of service provided 5 years of service has been completed while for non-management staff, a graduated scheme was applied depending on the number of years of service. 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. 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 qualified for the benefits.

(ii) Long service obligation

The Company grants long service awards to employees who have served continously 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

The amounts recognised in the statement of financial position are determined as follows:

	2016 N'000	2015 N'000
Funded retirement benefit obligation (Note 21(iv))	(1,237,335)	(1,258,656)
Fair value of plan assets (Note 21(v))	1,721,956	1,549,038
Retirement benefit surplus	484,621	290,382
Unfunded retirement benefit obligations (Note 21(iv))	(2,613,268)	(3,369,353)
Long service award obligations (Note 21(iv))	(181,166)	(266,548)
Net liability in the statement of financial position	(2,309,813)	(3,345,519)

Notes to the financial statements (continued)

21 Retirement benefit and long service award 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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January	(1,258,656)	(1,105,641)	(3,369,353)	(2,756,505)	(266,548)	(341,871)
Included in income statement						
Current service charge	-	-	(354,652)	(319,147)	(38,336)	(53,586)
Interest cost	(134,589)	(142,274)	(390,600)	(402,652)	(30,258)	(50,245)
Actuarial (losses)/gains – change in assumptions	-	-	-	-	(5,980)	131,671
Actuarial gains – experience	-	-	-	-	142,495	34,404
	(134,589)	(142,274)	(745,252)	(721,799)	67,921	62,244
Included in OCI						
Actuarial (losses)/gains – change in assumptions	-	(193,199)	-	(414,742)	-	-
Actuarial (losses)/gains – experience	101,867	8,524	934,335	(6,255)	-	-
	101,867	(184,675)	934,335	(420,997)	-	-
Others						
Employee contributions	(182,932)	(45,506)	-	-	-	-
Benefits paid	236,975	219,440	567,002	529,948	17,461	13,079
	54,043	173,934	567,002	529,948	17,461	13,079
At 31 December	(1,237,335)	(1,258,656)	(2,613,268)	(3,369,353)	(181,166)	(266,548)

(v) Reconciliation of change in assets

The movement in the fair value of plan assets of the year is as follows:

	2016	**2015**
	N'000	**N'000**
At January 1	1,549,038	1,515,353
Included in income statement		
Interest income on plan assets	170,900	204,352
Actual less expected return	-	11,886
	170,900	216,238
Included in OCI		
Remeasurements - actuarial gains	56,061	(8,619)
Others		
Employee contributions	182,932	45,506
Benefits paid	(236,975)	(219,440)
	(54,043)	(173,934)
At December 31	1,721,956	1,549,038
Less: funded retirement benefit obligations (Note 21(iv))	(1,237,335)	(1,258,656)
Retirement benefit surplus	484,621	290,382

Notes to the financial statements (continued)

21 Retirement benefit and long service award obligations (continued)

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

	2016			2015		
	Income Statement		OCI	Income Statement		OCI
	Employee benefits	Net interest cost	Actuarial losses	Employee benefits	interest cost	Actuarial gains
	N'000	N'000	N'000	N'000	N'000	N'000
Funded retirement benefit obligations	-	134,589	157,928	-	142,274	(193,294)
Plan assets	-	(170,900)	-	-	(216,238)	-
Unfunded retirement benefit obligations	354,652	390,600	934,335	319,147	402,652	(420,997)
Long service award obligations	(98,179)	30,258	-	(112,489)	50,245	-
	256,473	384,547	1,092,263	206,658	378,933	(614,291)

(vii) Actuarial assupmtions

The principal actuarial assumptions were as follows:

	Funded Retirement Benefit Obligation		Unfunded Retirement Benefit Obligation		Long Service Award Obligations	
	2016	2015	2016	2015	2016	2015
Discount rate	15.8%	12%	15.8%	12%	15.8%	12%
Inflation rate	12%	9%	12%	9%	12%	9%
Interest income rate	15.8%	12%	-	-	-	-
Future salary/pension increases	-	-	12%	11%	12%	11%

Assumptions on mortality rate for the funded retirement benefit obligation is based on the PA (90) Male Table (UK annuitant table - 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 Ultimate Tables, 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.

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 are comprised of:

	2016	2015
Government securities	88%	69%
Fixed deposit /strict call	5%	15%
Uninvested cash	0%	0%
Corporate bond	7%	15%

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.

Notes to the financial statements (continued)

21 Retirement benefit and long service award obligations (continued)

(viii) Sensitivity analysis on liability as at 31 December 2016

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

	Unfunded Retirement Benefit Obligations				Funded Retirement Benefit Obligations	
	Gratuity		Medical and Soap Packs			
	N'000	Impact (%)	N'000	Impact (%)	N'000	Impact (%)
Base figures	2,433,856	-	179,411	-	1,237,335	-
Discount rate (-1%)	2,590,624	6%	189,469	6%	1,297,214	5%
Discount rate (+1%)	2,293,188	-6%	170,361	-5%	1,182,878	-4%
Salary/pension increase rate (-1%)	2,278,835	-6%	-	-	-	-
Salary/pension increase rate (+1%)	2,604,572	7%	-	-	-	-
Price escalation rate (-1%)	-	-	168,680	-6%	-	-
Price escalation rate (+1%)	-	-	191,242	7%	-	-
Mortality experience (-1 year)	2,433,288	0%	179,415	0%	1,222,712	-1%
Mortality experience (+1 year)	2,434,507	0%	179,406	0%	1,251,403	1%

	Long Service Award Obligations	
	N'000	Impact (%)
Base figures	182,727	
Discount Rate (-1%)	191,688	5%
Discount Rate (+1%)	174,527	-4%
Salary increase rate (-1%)	175,003	-4%
Salary increase rate (+1%)	191,085	5%
Price escalation rate (-1%)	181,045	-1%
Price escalation rate (+1%)	184,516	1%
Mortality experience (-1 year)	182,984	0%
Mortality experience (+1 year)	182,436	0%

21 Retirement benefit and long service award obligations (continued)

Assumptions for sensitivity analysis	Base rates
Discount rate (unfunded retirement benefit obligation and medical)	15.8%
Discount rate (funded retirement benefit obligation)	15.8%
Salary increase rate	12%
Product/benefit inflation rate	12%

The base figures used for the sensitivity analysis on liability is the unfunded retirement benefit obligation as at 31 December 2016 while the base figure for sensitivity analysis on service and interest cost is the projected net period benefit cost for 2017.

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

22 Contingencies and commitments

The Company is involved in pending litigation arising in the ordinary course of business. Estimated contingent liability as at 31 December 2016 is N233 million (2015: N314 million). The directors believe that the risk of material claims crystallising against the Company from pending litigation is low.

Non-cancellable operating lease rentals included in income statement amounted to N145 million (2015: N231 million). Future minimum lease payment under non-cancellable operating leases as at 31 December 2016 are as follows:

	2016 N'000	2015 N'000
Less than 1 year	109,290	207,992
Between 1 and 5 years	36,108	22,773
Total	145,398	230,765

Notes to the financial statements (continued)

23 Cash flows from operating activities

	2016 N'000	2015 N'000
Profit before tax	4,106,422	1,771,063
Adjustment for non-cash items:		
- Depreciation of property plant and equipment (Note 14(i))	2,313,444	1,906,568
- Impairment charge (Note 14(ii))	-	616,712
- Impairment reversal (Note 14(ii))	-	(183,053)
- Assets write off (Note 14 (i))	2,656	10,132
- Profit on disposals of property, plant and equipment	(8,189)	(77,506)
- Amortisation of intangible assets	233,945	233,483
- Interest income (Note 10)	(333,174)	(301,889)
- Interest expense	2,721,135	3,170,516
- Exchange gain on intercompany loan (Note 26(ii))	(509,882)	-
- Net charge in retirement benefit obligations (Note 21(vi))	708,941	647,835
- Long service award obligations (Note 21(vi))	(67,921)	(62,244)
- Statute barred dividend	61,231	140,413
- Change in employee loan receivable	28,591	(7,617)
- Other employee benefits	(14,344)	44,390
- Decrease in other non-current assets	68,649	189,411
Changes in working capital:		
- Increase in trade and other receivables	(8,802,733)	(1,598,414)
- (Increase)/decrease in inventory	(3,705,386)	2,441,484
- Increase in payables and accrued expenses	9,930,884	7,431,679
Cash flows generated from operating activities	6,734,269	16,372,963

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:

	2016 Fair value hierarchy	2016 Carrying amount N'000	2016 Fair value N'000	2015 Fair value hierarchy	2015 Carrying amount N'000	2015 Fair value N'000
Employee loans receivable (Note 31)	Level 2	184,589	184,589	Level 2	213,180	213,180
Trade and related party receivables (Note 17(i))		13,106,277	13,106,277		8,660,579	8,660,579
Cash and cash equivalent (Note 18)		12,474,141	12,474,141		4,435,244	4,435,244
		25,765,007	25,765,007		13,309,003	13,309,003
Trade and other payables (Note 19)		31,949,912	31,949,912		22,026,441	22,026,441
Bank overdraft (Note 18)		-	-		4,535,672	4,535,672
Intercompany loan (Note 26)		15,146,720	15,146,720		-	-
Long term loan (Note 26)		66,083	66,083		119,171	119,171
Secured bank loan (Note 26)	Level 2	702,748	702,748	Level 2	898,427	898,427
		47,865,463	47,865,463		27,579,711	27,579,711

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.

Notes to the financial statements (continued)

24 Fair values, including valuation methods and assumptions (continued)

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) is 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.

25 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 through common shareholdings or common directorships.

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, Blue Band and Lifebouy 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 N1,396 million (2015: N1,263 million).
These licenses have been approved by the National Office for Technology Acquisition and Promotion (NOTAP). The certificate of registration, (Certificate No. CR006146 - Trademark License; Certificate No. CR006148 - Technology License) are valid from 1 January, 2016 to 31st December, 2016. Approved maximum amount payable on these licenses is N3,305 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. In consideration of this, a fee of 1.5% of profit before tax is payable by Unilever Nigeria Plc to Unilever Plc, United Kingdom. The fee payable under this agreement in 2016 was N32.2 million (2015: N45.3 million).
This license has been approved by the National Office for Technology Acquisition and Promotion (NOTAP). The certificate of registration, Certificate No. CR006147, is valid from 1 January, 2016 to 31st December, 2016. Approved maximum amount payable on central services is N268.9 million.

(iii) Sale of finished goods to related parties

	2016 N'000	2015 N'000
Unilever Ghana Limited	789,983	881,162
Unilever Cote D'Ivoire	2,557,929	1,400,438
	3,347,912	2,281,600

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

	2016 N'000	2015 N'000
Unilever Ghana Limited	2,734,848	2,760,931
Unilever Market Development (Pty) Limited	445,668	281,384
Unilever Phillipines	-	205,227
Unilever India	-	48,229
	3,180,516	3,295,771

Notes to the financial statements (continued)

25 Related party transactions (continued)

v) Loan from related parties

	2016 N'000	2015 N'000
Unilever Finance International AG	15,146,720	-

vi) Outstanding related party balances as at 31 December were:

	2016 N'000	2015 N'000
Receivables from related parties:		
Unilever Cote D'Ivoire	5,122,719	2,591,809
Unilever Ghana Limited	2,559,294	2,134,390
Other related parties (settlement on behalf of related entities)	1,395,159	901,121
	9,077,172	5,627,320

	2016 N'000	2015 N'000
Payables to related parties:		
Unilever UK Plc	1,291,290	2,396,876
Unilever Cote D'Ivoire	82,974	64,060
Unilever Ghana Limited	6,945,210	3,912,106
Unilever Asia Private	4,837,178	576,811
Unilever Finance International AG	114,138	-
Unilever NV	1,106,103	401,125
Other related parties (settlement on behalf of the Company)	1,621,700	267,866
	15,998,593	7,618,844

Related party transactions have payment terms of 30 days and 45 days for service related and goods related transactions respectively.

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.

26 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.

	2016 N'000	2015 N'000
Current liability		
Short term bank loan (Note 26(i))	5,000,000	7,000,000
Intercompany loan (Note 26(ii))	15,146,720	-
Current portion of long term bank loan (Note 26(iii))	12,381	22,488
Current portion of secured bank loan (Note 26(iv))	342,175	404,055
	20,501,276	7,426,543
Non-current liability		
Non-current portion of long term bank loan (Note 26(iii))	53,702	96,683
Secured bank loan (Note 26(iv))	360,573	494,372
	414,275	591,055
Total loans and borrowings	20,915,551	8,017,598

(i) Short term bank loan
The short term bank loan represents financial instruments obtained from commercial banks at an average of 13.9% and are payable on demand. The loan is available for working capital needs.

Notes to the financial statements (continued)

26 Loans and borrowings (continued)

(ii) Intercompany loan

During the year, the Company obtained a loan facility of $59.7 million (N18.8billion) from Unilever Finance International AG for the purpose of clearing backlog of unpaid obligations to suppliers. As at the end of the year, the total amount of drawdown on the facility amounts to $49.2 million (N14.98 billion). The disbursement of the loan was made in 2 tranches and repayable within one year. It is priced at an average interest rate of 6.45% plus 3 months US Libor. The loan is not secured on any assets of the Company.

The movement on the facility is as follows:

	2016 N'000	2015 N'000
At 1 January	-	-
Additional drawdown	15,491,446	-
Exchange gain	(509,882)	-
Accrued interest	165,156	
At 31 December	15,146,720	-

(iii) Long term bank loan

Long term bank loan represents bank facilities 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 14% per annum. A portion of the outstanding principal amount is repaid annually.

The movement on the facility is as follows:	2016 N'000	2015 N'000
At 1 January	119,171	141,928
Additional drawdown	-	15,000
Repayments	(53,088)	(37,757)
At 31 December	66,083	119,171
Analysed as:		
Current	12,381	22,488
Non current	53,702	96,683
	66,083	119,171

(iv) 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 would be 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 27).

Subsequently, the loan is measured using the amortised cost method as follows:

	2016 N'000	2015 N'000
Opening amortised cost	898,427	1,081,423
Interest cost	178,378	219,985
	1,076,805	1,301,408
Less repayment		
Principal	(272,109)	(272,110)
Interest	(101,948)	(130,871)
Amortised closing balance	702,748	898,427

Notes to the financial statements (continued)

26 Loans and borrowings (continued)

	2016 N'000	2015 N'000
Analysed as:		
Current	342,175	404,055
Non current	360,573	494,372
	702,748	898,427

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

	2016 N'000	2015 N'000
Interest expense	178,378	219,985
Amortisation of government grant (Note 27)	(32,756)	(32,755)
	145,622	187,230

27 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.

	2016 N'000	2015 N'000
At 1 January	128,293	161,048
Transfer of transaction cost	-	-
Additions	-	-
Amount recognised in interest expense (Note 26)	(32,756)	(32,755)
At 31 December	95,537	128,293

Amount disclosed in the statement of financial is presented below:

	2016 N'000	2015 N'000
Current liabilities	32,756	32,756
Non-current liabilities	62,781	95,537
	95,537	128,293

28 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 as follows:

Length of service	**Market value to be paid (%)**
Less than 5 years	-
5 years - 9 years	60
10 years and above	100

Notes to the financial statements (continued)

28 Other employee benefits (continued)

A summary of the status of the Scheme Plan as at 31 December 2016 and 31 December 2015 is presented below:

	2016 Number of shares	2015 Number of shares
As at 1 January	1,112	1,235
Awarded	3	4
Vested	(140)	(127)
As at 31 December	975	1,112

Share award value information	2016	2015
Fair value per share award during the year (N)	35.05	43.25

The credit in each of the last two years is shown below:

	2016 N'000	2015 N'000
Income statement	(14,344)	44,390

Amount recognised in non current liabilities is shown below:

	2016 N'000	2015 N'000
Other employee benefits	74,150	88,494

The share-based payments are based upon independent valuation conducted by HR Nigeria limited. (O.O. Okpaise, FRC/2012/NAS/00000000738)

29 Share capital and share premium

	Number of ordinary shares (thousands)	Ordinary shares N'000	Share premium N'000
Balance as at 31 December 2015 and 31 December 2016	3,783,296	1,891,649	45,717

The authorised number of ordinary shares is 6,053,274,000 with a par value of 50kobo per share. Of these, 3,783,296,250 ordinary shares have been issued and fully paid.

30 Other non-current assets

	2016 N'000	2015 N'000
Long term portion of employee loans	104,052	133,061
Long term portion of prepayments	36,108	75,748
Balance as at 31 December	140,160	208,809

Long term portion of employee loans include long term portion of prepaid benefit and housing loan provided to employees. The tenor of the facilities range from a period of 2 years to maximum period of 10 years, the housing loan is at an interest rate of 14%.

31 Employee loan receivable

	2016 N'000	2015 N'000
Current portion of present value	72,918	85,201
Non-current portion of present value	111,671	127,979
	184,589	213,180

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 23%
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.

Notes to the financial statements (continued)

32 Assets classified as held for sale

In 2015, the Company committed to a plan to sell its Non-Soapy Detergents factory located in Aba which was inoperative. Accordingly, the assets were presented as held for sale in the 2015 financial statements as the sale was expected to be made 2016. However, as at the reporting date, the sale was yet to be made due to certain circumstances which were beyond the Company's control. The Company remains committed to selling the assets and is actively searching for interested buyers.

As at 31st December 2016, the assets are stated at carrying amount, which is lower than offer prices from potential buyers.

	Lease hold land	Buildings	Total
	N'000	N'000	N'000
Cost	20,350	326,742	347,092
Accumulated Depreciation	(12,341)	(163,340)	(175,681)
Net book value as at 31st December 2016	8,009	163,402	171,411

33 Subsequent events

There are no significant subsequent events which could have had a material effect on the state of affairs of the Company as at 31st December 2016 that have not been adequately provided for or disclosed in the financial statements.

Other national disclosures

Value added statement

	2016 N'000	%	2015 N'000	%
Revenue	69,777,061		59,221,748	
Bought in materials and services:				
- local	(20,691,074)		(18,457,650)	
- imported	(33,476,487)		(27,686,474)	
	15,609,500		13,077,624	
Interest income	1,027,622		301,889	
Value added	16,637,122	100	13,379,513	100
Applied as follows:				
To pay employees' salaries, wages and benefits	6,748,272	41	6,961,370	52
To provide for maintenance of assets	2,313,444	14	1,906,568	14
To pay taxes	1,034,537	6	578,697	4
To pay interest on borrowings and deposits	2,726,245	16	3,170,516	24
Retained for Company's growth	3,814,624	23	762,362	6
	16,637,122	100	13,379,513	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

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
Financial performance					
Revenue	69,777,061	59,221,748	55,754,309	60,004,119	55,547,798
Gross profit	20,296,041	21,047,500	20,170,293	22,450,008	21,645,661
Operating expenses	(14,615,233)	(16,485,316)	(15,561,139)	(14,635,446)	(12,738,921)
Other income/(expenses)	124,237	77,506	5,590	(23,586)	(11,858)
Net finance cost	(1,698,623)	(2,868,627)	(1,741,509)	(997,361)	(708,895)
Profit before taxation	4,106,422	1,771,063	2,873,235	6,793,615	8,185,987
Taxation	(1,034,537)	(578,697)	(460,892)	(2,069,186)	(2,588,374)
Profit for the year	3,071,885	1,192,366	2,412,343	4,724,429	5,597,613
Other comprehensive income	742,739	(430,004)	447,663	26,037	107,875
Total comprehensive income	3,814,624	762,362	2,860,006	4,750,466	5,705,488
Earnings per share (Basic and diluted) - Naira	0.81	0.32	0.64	1.25	1.48

Capital employed

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
Share capital	1,891,649	1,891,649	1,891,649	1,891,649	1,891,649
Share premium	45,717	45,717	45,717	45,717	45,717
Reserves	9,752,577	6,065,887	5,541,442	7,410,556	7,896,863
Shareholders' funds	11,689,943	8,003,253	7,478,808	9,347,922	9,834,229
Employment of capital					
Non-current assets	30,948,762	29,164,670	27,165,096	25,352,787	21,719,351
Net current (liabilities)/assets	(11,970,842)	(13,689,839)	(12,799,674)	(9,671,313)	(7,702,178)
Non-current liabilities	(7,287,977)	(7,471,578)	(6,886,614)	(6,333,552)	(4,182,944)
	11,689,943	8,003,253	7,478,808	9,347,922	9,834,229
Net assets per share (Naira)	3.09	2.12	1.98	2.47	2.60