Annual Report 2021

Unilever Nigeria Plc

Contents

Our Purpose

Our Values

INTEGRITY
RESPECT
RESPONSIBILITY
PIONEERING

Unilever Nigeria Plc. - Purpose-Led, Future-fit

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 Plc. 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, home care, beauty and personal care products. These mergers and acquisitions resulted in the absorption of Lipton Nigeria Limited in 1985, Cheesebrough Industries Limited in 1988 and Unilever Nigeria Limited in 1996. The Company changed its name to Unilever Nigeria Plc. in 2001 in line with the global strategic direction of the business

The Company was quoted on the Nigerian Stock Exchange in 1973 and is a truly multi-local, multinational organization with international and local brands in her portfolio. The international brands include Close-Up, Pepsodent, LUX, Lifebuoy, Rexona and Vaseline in the Personal Care division of the business; Knorr in the Foods division; and OMO and Sunlight in the Home Care division. Other Regional and local jewels include Pears and Royco. The Company provides sources of income to tens of thousands of Nigerians who are shareholders, distributors, suppliers, service providers and employees.

Unilever Nigeria Plc. is a member of the Unilever Group, one of the world's leading consumer goods companies. One in three people around the world use Unilever brands every day. With this reach comes responsibility and opportunity. That's why we've made it our purpose to make 'Sustainable living commonplace'. To help people live well within the limits of the planet. This isn't just something we say – it steers our decisions and shapes our actions, at every level of the organization.

Unilever's focus on purpose goes back to our history and it remains integral to our future. Accordingly, we want all our brands to drive purpose, take a stand, and act, on the big social and environmental issues facing the world.

To truly make sustainable living commonplace, we are focused on taking strides that enable us to be fit for the future. We seek to anticipate the significant changes which are shaping our industry, drive increased digitization, lower cost, speed and agility while using our scale and influence to create positive change well beyond Unilever. We are actively driving for competitive, consistent, profitable and sustainable growth with quality products that are good for both people and the planet and within the reach of Nigerian mainstream consumers. We will continue to attract the very best people into a diverse, inclusive, exciting and flexible working culture.

Unilever Nigeria's confidence in Nigeria remains resolute and we are committed to continued investments, capability development and innovation with brands that are tailored to delight and satisfy the Nigerian mainstream consumers' needs and preferences.

Board of Directors, Officers and Other Corporate Information

Directors

His Majesty Nnaemeka A. Achebe CFR, mni Obi of Onitsha	-	Non-Executive Director & Chairman of the Board
Mr. Carl Cruz (Filipino)	-	Managing Director
Mr Jaime Aguilera (Spanish)	-	Non-Executive Director (Appointed w.e.f 1 January, 2021)
Mrs. Abiola Alabi	-	Non-Executive Director
Ammuna Lawan Ali, OON	-	Independent Non-Executive Director
Mr. Felix Enwemadu	-	Executive Director
Mr Michael Ikpoki	-	Independent Non-Executive Director (Appointed w.e.f. 1 February, 2021)
Mr. Chika Nwobi	-	Non-Executive Director
Mr. Mutiu Sunmonu CON, FNSE	-	Independent Non-Executive Director
Mrs. Adesola Sotande-Peters	-	Executive Director (Resigned with effect from 16 December, 2021)

General Counsel WA & Company Secretary

Mrs. Abidemi Ademola

Registered Office

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

Company Registration Number

RC 113

Tax Identification Number (TIN)

01056346-0001

Independent Auditor

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

Registrar and Transfer Office

Greenwich Registrars and Data Solutions Ltd.
274, Murtala Muhammed Way
Alagomeji, Yaba, Lagos
Tel: +234 01 279 3161- 2 & +234 01 813 1925
info@gtlregistrars.com

Bankers

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

Results at a glance

	2021 ₦'000	2020 ₦'000
Revenue	70,523,695	52,211,267
Operating profit/ (loss)	1,129,383	(5,655,548)
Profit/ (loss) before taxation	1,878,683	(4,537,053)
Taxation	(1,190,417)	779,163
Profit/ (loss) from continuing operations	688,266	(3,757,890)
Profit/ (loss) from discontinued operations	2,720,908	(208,031)
Profit/ (loss) for the year	3,409,174	(3,965,921)
Capital employed	65,761,668	62,129,120
Capital expenditure	1,622,462	1,046,550
Depreciation of property, plant and equipment	3,535,385	5,135,811
Cash and cash equivalents	55,697,537	37,100,827
Earnings per share (Naira)	0.00	0.00
Net Assets per share (Naira)	11.45	10.81
NSE share price at 31 December	14.50	13.90
Ratio % Revenue		
Operating costs	-27%	-32%
Operating profit/ (loss)	2%	-11%
Profit/ (loss) after tax	1%	-7%

Board profile

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

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

MR CARL CRUZ (FILIPINO) - Managing Director & Vice President West Africa

Mr Carl Raymond R. Cruz. was the immediate past Executive Chairman, Unilever Sri Lanka. He holds a Bachelor of Science degree in Marketing from De La Salle University, Philippines. He comes with an extensive career in Unilever D & E Markets in Asia (Philippines, Thailand, India and Sri Lanka). Since joining Unilever in 1992, Carl has gained over 28 years' experience working in Customer Development, and in Marketing roles across Home Care, Beauty & Personal Care and Foods. Most recently, as Chairman of Unilever Sri Lanka, Carl has successfully steered the business to a sustainable and competitive growth trajectory. He has not only established Unilever Sri Lanka as a market leader across key categories but also as the most admired employer, despite some very challenging conditions, including the Horana Fire in 2016 and the Easter Sunday Attacks in 2019. Under Carl's leadership, the Sri Lanka business was positioned as a lean, agile and digitally enabled organization. Carl's passion for inclusion, experimentation and empowerment is reflected in his vision of Re Imagine USL - a transformational journey, that he has led from the front. Since Carl took over the leadership of Unilever Nigeria Plc on 1 February, 2020, he has been focused on business transformation and growth. Carl is a non-executive director of Unilever Ghana Plc.
He was appointed to the Board of Unilever Nigeria Plc. in February, 2020.

MR. JAIME AGUILERA – Non-Executive Director & President Africa

Jaime is a well-rounded business professional with broad leadership and operational expertise gained working for top FMCG companies internationally in a range of general management, sales and marketing roles. His corporate experience spans Unilever, Coca-Cola, Nestlé and Procter & Gamble and he is currently the President for Unilever in Africa since January 2020. Before this, he was leading Unilever's Eastern Europe region after joining the company in 2009 as Chairman of Unilever Spain. He has extensive global experience, having been responsible for businesses across Europe, the Americas, Asia and more recently Africa.
Jaime is Spanish by origin but has also lived in Brazil, Greece, Mexico, Switzerland and Poland.
He graduated from the Universidad Pontificia de Comillas- ICADE in Madrid where he majored in Economic Sciences, Management & Business Administration.
He was appointed to the Board of Unilever Nigeria Plc. in January, 2021.

Board Profile (continued)

Mrs Abiola Alabi –Non-Executive Director

Biola Alabi is a media entrepreneur, an African early-stage investor and public speaker. She is the CEO of Biola Alabi Media, a dynamic consultancy and production company with expertise in 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 for African leaders. Named one of the 20 Youngest Power Women in Africa by Forbes Magazine (2012), a World Economic Forum Young Global Leader (2012) and CNBC Africa's AABLA West African Businesswoman of the Year (2013). 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, and a member of the marketing team that launched the well-respected Korean motor vehicle corporation Daewoo in the USA. An alumnus of the University of Cincinnati where she graduated with a Degree in Public and Community Health, Biola Alabi has spent recent years polishing her knowledge with Executive Education Programs at Harvard University's Kennedy School of Government, Oxford University's Said Business School and Yale University's Jackson Institute of Global Affairs. She is also a Yale World Fellow, at Yale University. Biola Alabi is the CEO of Biola Alabi Media LTD., a Non-Executive Director of Monty Mobile, Chairwoman & Non-Executive Director of Big Cabal Media, A trustee of the Renewable Energy Association of Nigeria.
She was appointed to the Board of Unilever Nigeria Plc. in December, 2015.

AMMUNA LAWANI ALI, OON – Independent Non-Executive Director

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

MR FELIX ENWEMADU – Executive Director and Vice President Customer Development

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

Board Profile (continued)

MR MICHAEL IKPOKI– Independent Non-Executive Director

Mr Michael Ikpoki is an accomplished Multinational Business Executive and leader, lawyer by training, with over twenty four (24) years African Telecommunications Industry Experience which includes 14 years experience in the MTN Group. Mr Ikpoki has proven capability in successfully managing and growing telecommunications operations in some of the largest economies in Africa during his tenures as CEO of MTN Ghana and CEO of MTN Nigeria respectively between 2011 and 2015. Mr Ikpoki is presently the CEO of Africa Context Advisory Partners, an Africa-focused business advisory company which provides business advisory services in market entry/growth particularly in ICT and Consumer-related Industries in West Africa. He is an Adviser to growing African companies like MFS Africa (Africa's largest Digital Payments Hub) and Asoko Insight (Africa's leading corporate data and engagement platform). He also Board Chairman of Amplitude Telecoms Africa Limited (An Infrastructure management company) and i-Fitness Centre Limited (A leading Health & Fitness Business). He also sits on some Advisory Boards overseeing exciting new projects in Africa like Insights by Experts which is Africa's first-on demand expertise platform and TERRAGRN, a UK private sector company creating sustainable, biodiversity compliant Bamboo forests in Africa.

He was appointed to the Board of Unilever Nigeria PLC in February 2021.

MR. CHIKA NWOBI – Non-Executive Director

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

He was appointed to the Board of Unilever Nigeria Plc. in January 2019.

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

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

Board Profile (continued)

MRS ABIDEMI ADEMOLA –General Counsel West Africa & Company Secretary

Mrs. Abidemi Ademola is a Corporate Counsel and Governance Professional with experience spanning over 26 years of Commercial Law and Corporate Governance practice in Nigeria and West Africa. Her forte is to proactively identify legal, regulatory, compliance and corporate governance risks to business and develop innovative mitigation to enable seamless operations. Abidemi holds a Bachelor of Laws from the Obafemi Awolowo University, Ile-Ife., a Master of Laws from the University of Lagos, Akoka and an MBA Leadership from Walden University, United States. She is a Fellow of the Institute of Chartered Secretaries and Administrators of Nigeria and an Associate of the Chartered Governance Institute, UK. She is also a member of the Nigerian Bar Association, the Society of Corporate Governance and the Institute of Directors, Nigeria. She is an Associate member of Women in Management, Business & Public Services (WIMBIZ) and a Fellow of the WIMBOARD Institute, a WIMBIZ/IE University, Madrid Executive Education Programme for Women on Boards. Abidemi was the pioneer chairperson of the Corporate Counsel Committee of the NBA Section on Business Law. She is passionate about building to last with particular focus on talents and Institutions. She was appointed as Company Secretary in January 2012.

***Profile Of Director Appointed since the last Annual General Meeting**

Mrs Folake Ogundipe is a highly effective financial executive with cognate experience in leading finance functions to deliver corporate objectives that maximize stakeholders value. She possesses hands-on experience as Chief Finance Officer/Head of Finance with remarkable leadership skills and strong accounting capabilities including IFRS, and GAAP with proven knowledge of delivering end-to-end financial procedures, designing effective and efficient controls, improving regulatory compliance and reporting, and minimizing risks. With proven track record of increasing efficiency of financial operations through business transformation, expertise at enhancing business profitability through formulation and implementation of innovative cost-saving strategies and achieving targeted objectives through successful leadership and mentorship of high-performance teams. Mrs Ogundipe is adept at steering and establishing robust financial management capability as well as formulating effective strategies to drive strong financial governance.

Mrs Ogundipe holds a B.Sc. Accounting from Obafemi Awolowo University, Ile-Ife, Nigeria and a M.Sc. Management from University of Leicester, UK. She is a chartered Accountant with ACA and ACMA/CGMA professional qualifications of the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Management Accountants, UK respectively. She has built a formidable career working in various organizations both in Nigeria and the United Kingdom. She was the immediate past Chief Financial Officer for PES (Pivot Energy Services) Group - A Honeywell Company, Lagos, Nigeria
Mrs Ogundipe was appointed as Executive Director with effect from 1 April.

Report of the directors

The Directors hereby present their Report together with the audited financial statements for the year ended 31 December 2021.

Legal Status

Unilever Nigeria Plc. is incorporated in Nigeria as a public limited liability company under the Companies and Allied Matters Act 2020 (CAMA 2020) and is domiciled in Nigeria. The company's shares are listed on the Nigerian Exchange. (NGX).

Principal activities

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

Results

The results for the year are summarized as follows:

	2021 N'000	2020 N'000
Revenue	70,523,695	52,211,267
Operating profit/ (loss)	1,129,383	(5,655,548)
Profit/ (loss) before taxation	1,878,683	(4,537,053)
Taxation	(1,190,417)	779,163
Profit/ (loss) from continuing operations	688,266	(3,757,890)
Profit/ (loss) from discontinued operations	2,720,908	(208,031)
Other comprehensive income	223,374	(493,380)
Total comprehensive income for the year	3,632,548	(4,459,301)
Proposed dividend	50k/ per share	-

Dividend

The Directors recommend to the shareholders the payment of a dividend in respect of year ended 31 December, 2021 of ₦2,872,502,500 (Two Billion. Eight Hundred and Seventy-Two Million, Five Hundred and Two Thousand, Five Hundred Naira) that is, 50 kobo gross per share which is payable on Friday 6 May, 2022 subject to the deduction of appropriate withholding tax.

Disposal of Unilever Nigeria Plc Tea Business

On 1 October 2021, Unilever Nigeria Plc concluded the sale of its tea business as part of a Unilever global separation. One-off income of ₦2.76bn representing gain from the disposal was recorded. Unilever Nigeria Plc. Board, through its Ad Hoc Committee set up for this purpose, sought and obtained professional independent valuation of the Tea business to ensure that the value was fair and in line with market valuation.

Corporate Governance Report

Framework

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

1. Companies and Allied Matters Act 2020.
2. The Rule Book of the Nigerian Exchange for the time being in force
3. The Investment and Securities Act 2007
4. Securities and Exchange Commission (SEC) Rules for the time being in force
5. The Nigerian Code of Corporate Governance 2018
6. Securities and Exchange Commission (SEC) Corporate Governance Guideline 2021
7. The Memorandum and Articles of Association of Unilever Nigeria Plc.
8. The Board Charter
9. The Unilever Code of Business Principles and Code Policies.
10. Subsidiary Governance of Unilever document.

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

a. We conduct our operations with integrity, openness and respect for human rights and the legitimate interests of our employees, business partners and stakeholders.

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

Report of the directors (continued)

c. We focus on the long-term sustainability of our business for the benefit of multiple stakeholders. We are committed to providing transparency across all our operations ensuring stakeholders trust what we do

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

Compliance with the above principles is a critical element of our business success and all Unilever employees and business partners are mandated to comply with these principles.

During the year 2021, Unilever Nigeria Plc. continued to embed the principles of good corporate governance encapsulated in the Nigerian Code of Corporate Governance 2018, the Securities and Exchange Commission Corporate Governance Guideline 2020 and global best practices.

Board composition

The Directors who held office during the year 2021 and up to the date of this report are:

His Majesty Nnaemeka A. Achebe, CFR, MNI Obi of Onitsha	Non-executive Director and Chairman
Mr Carl Cruz	Managing Director
Mr Jaime Aguilera	Non-Executive Director (Appointed with effect from 1 January, 2021)
Mrs Abiola Alabi	Non-Executive Director
Ammuna Lawan Ali, OON	Independent Non-Executive Director
Mr Felix Enwemadu	Executive Director
Mr Michael Ikpoki	Independent Non-Executive Director (Appointed with effect from 1 February, 2021)
Mr Chika Nwobi	Non-Executive Director
Mrs. Adesola Sotande-Peters	Executive Director (Resigned with effect from 16 December, 2021)
Mr Mutiu Sunmonu, CON	Independent Non-Executive Director

Board responsibilities

The Board has the apex responsibility for leadership, direction and performance of the company and has the powers, authority 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 oversight 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 Managing Director all its powers, authority and discretions which relate to the day-to-day operations of Unilever Nigeria Plc.

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

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

2 Governance
a Convening of meetings of the shareholders of Unilever Nigeria Plc. and the setting of the agenda thereof and generally ensuring that a satisfactory dialogue with shareholders takes place.
b Presentation of the annual report and financial statements to shareholders.
c Reviewing and approving proposals from the Governance, Remuneration and Risk Management Committee.

Report of the directors (continued)

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

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

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

g The Operating Framework.

Board Appointment, Evaluation & Training

Unilever Nigeria Plc. appoints Directors in line with its Board recruitment process. 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 contribution to the governance of Unilever Nigeria Plc. in accordance with Unilever global, regional and local strategy, Unilever Diversity and Inclusion principles and the relevant local legal requirements.

The governance process in Unilever Nigeria Plc. provides for the induction and training of Directors by virtue of which Directors are taken through relevant and appropriate training programmes which empower them for the role on an ongoing basis. New Directors appointed within 2021 went through a robust Induction programme. In addition, the Director of Corporate Affairs & Sustainable Business, West Africa at Unilever facilitated a Board Knowledge session on 'ESG At Unilever' bringing to fore the all-important topic of Environment, Social and Governance impact, commitments made by Unilever and the progress against these commitments. Some members of the Board also went through relevant Trainings to sharpen their Corporate Governance knowledge, skills and capabilities.

Unilever Nigeria Plc. provides the right atmosphere for its Directors to exhibit leadership and enhance their experiences. It further provides relevant governance information to its Directors and facilitates circulation of essential governance documents to the Board from time to time to keep them abreast of all

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

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

In line with the Unilever Governance standards and in compliance with the Nigerian Code of Corporate Governance, the SEC Corporate Governance Guideline, the Board of Unilever Nigeria Plc. opted for an internal evaluation exercise in respect of the period ended 31 December, 2021 to review the performance of the Board, individual Directors and Board Committees together with the Corporate Governance framework of Unilever Nigeria Plc. The Board and Corporate Governance Evaluation Report show that Unilever's governance procedures and practices during the year ended 31 December 2021 were largely in compliance with the provisions of applicable laws, regulations, corporate governance Code and international best practices. Actions points from the Evaluation will be addressed in the course of 2022.

Directors retiring by rotation

In accordance with Article 90 of the company's Articles of Association, Mr Mutiu Sunmonu 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 282 of the Companies and Allied Matters Act 2020.

Report of the directors (continued)

In addition, Mrs Folake Ogundipe who was appointed since the last Annual General Meeting will retire at this meeting and being eligible offer herself for re-election.

The profiles of all the four (4) Directors standing for re-election are contained on pages 7 to 10 of this Annual Report and Financial Statements

Board committees

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

a. Executive Committee (Exco)

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

i	Mr. Carl Cruz	-	Managing Director & Vice President Unilever West Africa
ii	Mr. Felix Enwemadu	-	Executive Director & Vice President Customer Development

* Mrs. Adesola Sotande-Peters, Finance Director & Vice President Finance resigned with effect from 16 December, 2021.

b. Leadership Team (LT)

The Leadership Team comprises of 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. Carl Cruz	-	Managing Director & Vice President
ii	Mrs. Abidemi Ademola	-	General Counsel West Africa & Company Secretary
iii	Mr. Adeleye Adeniji	-	Customer Development Director
iv	Mr Tobi Adeniyi		Logistics and Planning Director
v	Mr. Abayomi Ali	-	Manufacturing Director
vi	Mr. Ola Ehinmoro	-	Human Resources Director West Africa
vii	Mr Obinna Emenyonu	-	Procurement Operations Director, West Africa
viii	Mr. Felix Enwemadu	-	Vice President Customer Development
ix	Mrs Soromidayo George	-	Corporate Affairs & Sustainable Business Director Ghana-Nigeria
x	Mrs Oiza Gyang	-	Category Lead, Beauty & Personal Care
xi	Mrs Bolanle Kehinde-Lawal	-	Category Director, Foods
xii	Mr Uchenna Nwakanma	-	Research & Development Director West Africa
xiii	Mr Siddharth Ramaswamy	-	Vice President Supply Chain West Africa

c. The Audit Committee

The Audit Committee, established in accordance with the provisions of Section 404(2) of the Companies and Allied Matters Act 2020, comprises of three (3) shareholders' representatives and two (2) Directors' representatives (both of whom are non–executive Directors). The chairman of the Audit committee is a shareholders' representative. During the year under review, the committee met five (5) times.

The functions of the Audit Committee are governed by the provisions of Section 404(7) of the Companies and Allied Matters Act 2020. The Members of the Audit Committee and the Report of the Audit Committee to the members are contained on page 32.

Report of the directors (continued)

d. The Governance, Remuneration and Risk Management Committee

The Governance, Remuneration and Risk Management Committee comprises solely of Non-Executive Directors and is chaired by a Non-Executive Director. The Committee's Terms of Reference are in line with the Nigerian Code of Corporate Governance 2018. Members of the Committee during the period ended 31 December, 2021 were:

i Mr Mutiu Sunmonu, CON - Chair
ii Ms Ammuna Lawan Ali, OON
iii Mr Jaime Aguilera
iv Mr Michael Ikpoki

In 2021, all the above committees discharged their roles commendably and in line with their terms of reference.

Board meetings

During 2021, the Board held Six (6) meetings. The record of Directors' attendance is presented below:

Name	Meeting date 21 January 2021	Meeting date 25 March 2021	Meeting date 15 April 2021	Meeting date 30 April 2021	Meeting date 15 July 2021	Meeting date 21 October 2021	Total attendance
His Majesty N.A Achebe	√	√	√	√	√	√	6 meetings
Mr. Carl Cruz	√	√	√	√	√	√	6 meetings
Mr. Jaime Aguilera	√	√	√	√	√	√	6 meetings
Mrs Abiola Alabi	√	√	√	√	√	√	6 meetings
Ammuna Lawan Ali	√	√	√	√	√	√	6 meetings
Mr Felix Enwemadu	√	√	√	√	√	√	6 meetings
Mr Michael Ikpoki	NYA	√	√	√	√	√	5 meetings
Mr Chika Nwobi	√	√	√	√	√	√	6 meetings
Mrs. Adesola Sotande-Peters	√	√	√	√	√	√	6 meetings
Mr Mutiu Sunmonu	√	√	√	√	√	√	6 meetings

√: Present, NYA – Not Yet Appointed

Governance, Remuneration and Risk Management Committee

The Governance, Remuneration and Risk Management Committee held four (4) meetings in 2021. The record of members' attendance is presented below:

Name	Meeting date 25 March 2021	Meeting date 15 April 2021	Meeting date 15 July 2021	Meeting date 21 October 2021	Total attendance
Mr Mutiu Sunmonu	✓	✓	✓	✓	4 meetings
Ammuna Lawan Ali	✓	✓	✓	✓	4 meetings
Mr. Jaime Aguilera	NYA	✓	✓	✓	3 meetings
Mr Michael Ikpoki	NYA	✓	✓	✓	3 meetings

√: Present, NYA – Not Yet Appointed

Report of the directors (continued)

Audit Committee meetings

The Audit Committee held five (5) meetings in 2021. The record of members' attendance is presented below:

Name	Meeting date	Meeting date	Meeting date	Meeting date	Meeting date	Total attendance
	20 January 2021	9 March, 2021	14 April , 2021	14 July, 2021	20 October, 2021	
Mr David Oguntoye	✓	✓	✓	✓	✓	5 Meetings
Alhaji W. Ajani	✓	✓	✓	✓	✓	5 Meetings
Mr Kolawole Durojaiye	✓	✓	✓	✓	✓	5 Meetings
Mrs Abiola Alabi	✓	✓	✓	✓	✓	5 Meetings
Mr Chika Nwobi	✓	✓	✓	✓	✓	5 Meetings
Madam Ammuna Lawan-Ali	✓	NLAM	NLAM	NLAM	NLAM	1 Meetings

√: Present, NLAM- No longer a member (resigned in compliance with Section 404 of CAMA 2020)

Record of Directors' attendance at Board meetings

The record of the Directors' attendance at meetings during 2021 as listed above is available for inspection at the Annual General Meeting.

Directors' interests in contracts

No Director notified the company for the purpose of section 303 of the Companies and Allied Matters Act 2020, of their direct or indirect interest in contracts or proposed contracts with the company during the year.

Directors' shareholding

In accordance with Section 301 of the Companies and Allied Matters Act 2020, 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 301 and 302 of the Companies and Allied Matters Act 2020 and the listing requirements of the Nigerian Exchange Ltd. are as follows:

Director	**Number of shares held at 31 December 2021 & up to 31 March 2022**	**Number of shares held at 31 December 2020**
His Majesty Nnaemeka A. Achebe	55,976	55,976
Mr. Carl Cruz	Nil	Nil
Mr Jaime Aguilera	Nil	Nil
Mrs Abiola Alabi	Nil	Nil
Ammuna Lawan Ali	Nil	Nil
Mr Felix Enwemadu	Nil	Nil
Mr Michael Ikpoki	Nil	Nil
Mr Chika Nwobi	Nil	Nil
Mrs Adesola Sotande-Peters	Nil	Nil
Mr Mutiu Sunmonu	Nil	Nil

According to the register of members at 31 December 2021, the following shareholders of the company held more than 5% of the issued share capital of the company. Except as disclosed below, no other shareholder holds 5% and above of the Company's shares.

Shareholder	**Number of shares**	**Percentage held %**
Unilever Overseas Holdings B.V. Holland	3,321,138,208	57.81
Unilever Overseas Holdings BV	1,043,023,604	18.16
Stanbic Nominees Nigeria Ltd (Cummulative Holding)	287,572,174	5.01

Report of the directors (continued)

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, 2021, 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 Exchange Ltd, and Unilever Nigeria's code of conduct, regarding securities transactions by Directors.

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

Unilever Code of Business Principles
Unilever Nigeria Plc. has zero tolerance for illegality, corruption and unethical practices. Accordingly, the Company 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. This helps us put our core values of integrity, respect, responsibility and pioneering into practice.

Unilever Code of Business Principles
The COBP covers matters such as Obeying the law, Conflict of interest, Business integrity, Business partners, Shareholders and public activities, Fair Competition, Data Protection and Responsibility to our consumers. In addition to the COBP, there are 24 supporting Code Policies which provide a framework of simple 'Musts' and 'Must Nots' designed to be readily applied by employees in their day-to-day work.

Employees of Unilever Nigeria Plc. go through regular mandatory trainings, Annual Declarations and focused discussions to reinforce the COBP standards and drive compliance. Compliance with the COBP is mandatory and is monitored at the highest level of the organization. Internal and external confidential reporting media are available to encourage reporting of breaches and sanctions are consistently applied for these breaches. Unilever has a dedicated Business Integrity (BI) organization which focuses on Code compliance and related matters. The BI organization provides an effective framework which includes clear policies, guidelines and related learning materials, as well as robust procedures and controls to help us prevent, detect and respond to any inappropriate behaviour. Unilever also makes it mandatory for all its business partners to sign up to compliance with its Responsible Business Partner Policy or Responsible Sourcing Policy as may be applicable.

Employment policy
In the bid to achieve our ambition of competitive, profitable, responsible and consistent business growth, whilst ensuring Unilever people continue to thrive, our Human Resource thrust has been to ensure organizational capacity is cost effective, agile, responsive, and digitally enabled. As well as ensuring employees capabilities are future-fit, inspired, equipped and knowledgeable with relevant skills for our mainstream markets' ambition and finally to dial-up the organization's culture of owner's mindset and one-team spirit amongst employees. We will continue to dial-up simplification, automation and flexibility for a digitally enabled organization fit for today and our growth ambition.

Report of the directors (continued)

Employment policy (continued)

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

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 that drive our business; people with Purpose and Service, Personal Mastery, Agility, a Passion for High Performance, Consumer Love with Business Acumen and those who have the ability to be Talent Catalyst.

Talent Development

With the unprecedented changes the world has experienced in recent times there is greater urgency to build more agile & flexible employees that prioritize, execute, and learn at speed not only to bring our Purpose-Led, Future-Fit Compass to life but to deliver our growth agenda.

Preparing employees for the Future of Work continued to be at the heart of our learning agenda in 2021. We drove the Future Fit Plan, a novel approach to learning where employees have a personalized development plan embedding their purpose, wellbeing, focus areas and the requisite skills they need to be fully effective in their current role and projected future roles. This allows employees to take ownership of their personal development both now and in the future.

We have continued to utilize our robust technology-enabled systems to help them develop better leadership, professional and general skills to enhance engagement and productivity. In addition to our focus on being Future Fit, we continue to drive experiential development through on-the job deliverables as we implement various initiatives to complement other traditional learning methodologies, with our business leaders being at the forefront of this drive. Thus, the Learning Hour where we dedicate one hour weekly for employees to upskill themselves, remains a key enabler. In this hour, employees participate in live Masterclasses led by experts, on topics that focus on the priority skills such as Agile delivery, Digital Capability, Ecommerce among other skills. These and other capability building sessions and 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.

Diversity & Inclusion

Unilever Nigeria is committed to a working environment that promotes diversity, inclusion, life-long learning, and equal opportunity. We are committed to ensuring that all employees work in an environment that stimulates diversity and where there is mutual trust, respect for human rights and equal opportunity without discrimination or victimization.

The actions we take to ensure that barriers are removed include providing accessibility where required, offering equal pay for equal work, training employees and line managers on bias and discrimination, targeted recruitment of underrepresented groups, parental support, mentoring and sponsorship, encouraging employees to speak up & have a sense of belonging, celebrating events that promote diversity amongst other initiatives. We have also set ambitious targets on some aspects of diversity namely to reach 50% gender diversity for management roles, and have a 5% representation of people with disabilities by year 2025. Progress is tracked and reported to the Diversity Board.

We exited the year 2021, with over 45% of management roles being held by women; we remain focused to implement plans to sustain this feat and do even more. On Disability, we continue to advance our partnerships with state and social agencies within Nigeria, to support with bringing the underrepresented, through employment and internships, into the Company.

Report of the directors (continued)

Industrial Relations

The organization's Industrial relations is focused on fostering good industrial practices within the workplace. To accomplish this, our Industrial relations strategy sets out to work closely with recognized and accredited representatives of a registered trade union capable of fully representing and supporting the interests of its employees.

For the year 2021, management enjoyed an affable industrial climate, owing to the cordial partnership it has built with the union leadership. In turn, they played their role as change agents and people advocates during the COVID-19 pandemic by supporting the implementation of globally approved safety protocols, dissemination of awareness on best practices on hygiene and acting as Social Distance Champions to ensure compliance of their Blue-Collar members to these stipulations.

In conformance to the Unilever wellbeing agenda, a new shift arrangement was introduced which improved the rest period for our Blue-Collar employees, introduction of paid leave as well as the continued adherence to statutory minimum wage provisions.

The Collective Bargaining Agreement process was successful and completed in the month of April 2021. The methodical and collaborative approach including the support of the leadership team was instrumental to achieving this crucial objective.

In recognition of the fact that the executives of the trade unions were relatively new in their roles coupled with the need to keep abreast of industrial practices while, networking with their counterparts in other organizations, some union executive members were nominated to attend the 2021 Industrial Relations Conference.

The kind gesture of management was well received, and the impact was felt during the series of engagements with the union executives.

Employee Engagement

'We want our people to feel proud and inspired to work with an organization that believes in them and puts them first', this was our focus as we crafted engagements for 2021.

Some highlights of the 2021 engagement campaign included;

* At our Business Cascades, we deepened employees' understanding of our growth agenda to 'Double our business in 5 years' with visual campaigns and messages on the opportunity areas to explore, what the message means and what it would look like through our brands.
* We activated the 'Time-Out Series' engagements for employees to stay close to what each function is focusing on to achieve growth and transformation. The first session provided the marketing function with a platform to showcase what new brand innovations were being launched in 2021, whilst another session showcased Supply Chain's manufacturing transformation projects to optimize the business' production capacity.
* Our first ever virtual People Week engagement activities were linked to the business' ambition to address attrition, we conducted the 'Frankly Speaking' session for employees to ask the leaders questions around their pain points and their expectations of the business. The success of the exercise came through as employees expressed overwhelming appreciation of the exercise at the end of the session.
* The Return-to-Work engagements were activated over a 3-month period to enable ease of employees back into the physical office space. Employees were engaged with the hybrid workplace requirements, covid safety guides and finally the support measures to be put in place to ensure social distancing and avoidance of a breakout of Covid-19 amongst employees.
* Employee Wellbeing was championed through engagement campaigns and activities for Onsite Covid-19 vaccination exercises for both the first and second jabs and Mental Health Week to provide mental health support through virtual group counselling sessions.
* We launched Monthly TGIF (Thank God It's Friday) Celebrations in the fourth quarter of 2021 after we returned to workspace to celebrate employees birthed in the month on the last Friday of each month.

The primary objective of each engagement was to ensure that each employee felt uniquely valued and proud to be part of a strong organizational culture.

Employer Branding

We powered up our 2021 journey with the youth employability initiative Idea Trophy, this was the first time we would engage university students with a virtual version of the competition following their return to school after the shut down of most tertiary institutions for three-quarters of 2020. The competition was concluded virtually across Nigeria with the winning team of three - Team Itesiwaju from University of Lagos - earned themselves internship placements with Unilever Nigeria.

Report of the directors (continued)

Employer Branding (continued)

We pushed our youth employability agenda to include young adults between 11 and 18 years in secondary schools by virtually activating the Unilever Secondary School Internship Program for two weeks in August - during the traditional school summer holidays. The objective was to give secondary school students insights into the workplace to enable them to know more about the roles and career types that drive an organization such as Unilever.

In the bid to influence and source top talents amongst undergraduates beyond universities, we championed inclusion by extending our Campus Ambassadors undergraduate talent search to polytechnics across the country. To attract top talents amongst mid-career recruit, we went further beyond the 2020 'Power of U' campaign to showcase what our people do, achieve their career goals and impact the business on LinkedIn through the People Behind the Brands Campaigns.

For the sixth time in a row, Unilever Nigeria was recognized as a Top Employer in Nigeria and for the second time in a row we remained the No. 1 Top Employer in Nigeria, this was awarded by the Global Top Employers Institute.

Safety, Health and Environmental Care (SHE)

At Unilever, Safety remains our number one priority. Safety at work is a business fundamental that sits across the Unilever Compass. Caring about our employees, contractors, and visitors and ensuring their safety, health, and wellbeing is the foundation of our sustainable business. Everyone who works for Unilever should live and work free from the risk of injuries or accidents. Safety is a non-negotiable commitment that everyone across the business shares in line with our Safety, Health and Environmental (SHE) Policy

Our manufacturing sites in Oregun and Agbara are compliant with global Safety, Health, and Environment Standards. We comply with applicable SHE regulatory and statutory requirements and continue to be responsible to the government and people of the communities where we operate. We have recorded zero fatal or severe injuries in our operations and continue to apply our best efforts to prevent even minor injuries.

Unilever employs robust management systems and continuous improvements, including but not limited to total employee engagements, visible leadership, behavioral safety observations, deep compliance audits, Safety committees, safe travels, and logistics safety. We begin each work week with a Value life, value safety (VLVS) talk on Mondays across the business. We continue to promote a culture of safety awareness through monthly educational campaigns on various topics like line safety leadership, environmental awareness, and engaging wellbeing topics to keep such subjects top of mind among all stakeholders. We collaborate with regulatory agencies like the Federal Road Safety Corps (FRSC); Federal and State fire services to train our employees and contractors.

The Company continues to implement vital technical standards in Process Safety, Electrical Safety, Fire Safety, Construction Safety, Machinery Safety, and Risk Assessment. We benchmark our safety management system against internationally acceptable standards including; a third-party audit of our systems against Unilever SHE framework standards, ISO 14001:2015(environment management system); ISO 45001:2018 (occupational health and safety management system) compliance. Agbara and Oregun sites are graded B1 (Unilever internal FWS audit grading).

The incident management team (IMT) comprising the leadership team, medical and safety team inaugurated at the start of the COVID-19 pandemic continues to function. The IMT deployed Covid prevention protocols across all our operations following guidelines from the Nigeria Centre for Disease Control (NCDC) and Unilever's global tiering system. In November 2021, our office-based employees resumed a hybrid work arrangement under strict compliance with established Covid protocols. In recognition of the importance of public and workplace health we embarked on a vaccination awareness initiative and provided support to employees through onsite vaccination exercises conducted by Nigeria Primary health care officials in Oregun and Agbara, transport support to and from vaccination centres, and time- off to employees to receive the vaccination. Routine rapid antigen testing (RAT) were also offered throughout the year to proactively detect any Covid infection on our site and provide prompt treatment support. We continue to provide personal protective equipment (PPE) to all our frontline employees in the factories and commercial territories.

Report of the directors (continued)

Safety, Health and Environmental Care (SHE) (continued)

We maintained our drive on waste reduction, recycling, reuse, energy reduction, water consumption reduction, and rigorous "Zero Non-Hazardous Waste to Landfill" initiatives to reduce our environmental footprints and live up to our Unilever Compass ideals.

The leadership team is at the forefront of the implementation of and compliance with Unilever's Safety, Health and Environmental Care (SHE) Policy, with members of the leadership team chairing all the safety and health sub-committees which support the Central Safety Health and Environment Committee (CSHEC) led by the Managing Director; this makes the realization of all SHE programs possible.

Work safely remains a condition of employment. Every employee, including contractors engaged in our business, remains committed to following the Safety, Health and Environmental Care guidance and processes set out by Unilever.

Quality Report

In line with our Quality and Consumer Safety Policy, we remain committed to providing safe high-quality products and services that meet all applicable standards and regulations, both internal and external within the end-to-end value chain.

In 2021, we strengthened manufacturing basics in our manufacturing sites to deliver consistent product quality that exceed customer and consumer expectations and achieved Global Food Safety Certification (FSSC 22000) for the Agbara Savoury Plant. We have a sustained track record of zero marketplace, regulatory and quality incidents which is indicative of our commitment to the safety of all consumers. We also launched the culture transformation program aimed at promoting a culture of quality and consumer love through training , awareness campaigns in the factory, celebration of World Food Safety Day and World Quality Day. We also invited customers and consumers to engage the business during our quarterly quality review on the quality of our products.

Our supplier quality program continues to be one of our levers in improving supplier performance and thus reducing dependence on imported materials. Understanding the limitations of local suppliers, we defined minimum mandatory requirements, capability development program and strengthened our collaboration with local raw and packaging material suppliers to mitigate these limitations.

Digital transformation is rapidly changing our way of working and improving access to real time quality data. We launched QUALITY ONE, a digital platform that allows for recording and investigation of manufacturing non-conformances, carrying out internal audits, and onboarding of collaborative manufacturers. The platform has also provided us with the seamless opportunity to conduct virtual audits.

We continue to embed our Digital voice of the consumer (DVOC) platform into our way of working as an organization. The platform collates all consumer feedback from social media and consumer careline for visibility and monitoring of trends. Consumers' feedback are extracted from the platform and shared with the entire business for resolution and feedback to the consumer.

As we continue in the new normal created by the pandemic, we remain conscious of the role Unilever Nigeria Plc plays in bringing smiles to our communities every day as our brands continue to improve the lives of Nigerians.

	2021	**2020**
Corporate Social Responsibility	**N'000**	**N'000**
Unilever Secondary school scholarship programme	13,400	6,000
Nigerian Bar Association	1,500	1,000
Ogun State Government - COVID-19 Test Kits and Isolation centre	88,328	166,680
Imo State Government - COVID-19 Test Kits	-	4,800
Kaduna State Government - COVID-19 Test Kits	-	4,800
Ekiti State Government - COVID-19 Test Kits	-	4,800
ClinaLancet Lagos	-	29,546
Others	19,077	26,083
	122,305	**243,709**

Report of the directors (continued)

Unilever Nigeria Distribution Partners & Key Distributors

NAME	REGION
ITURA VENTURES LIMITED	Lagos
J A ONABOWALE LAGOS	Lagos
RENUZI VENTURES	Lagos
SAM & MARTHA -AJEGUNLE	Lagos
SAM AND MARTHA INVESTMENT LTD	Lagos
VANCREST GLOBAL VENTURES	Lagos
CHRISLANBOLU TRADE & ENG. SERV. LTD	Lagos
DE MOSHADEK AND COMPANY NIGERIA	Lagos
HATS INVESTMENT AND PROMOTIONS LTD	Lagos
LOBIC GLOBAL MERCHANTILE COY	Lagos
M. F. ORE AWO NIGERIA LTD	Lagos
MAQUAHM NIGERIA LIMITED - KD3	Lagos
MUTKEEM CONCEPT	Lagos
RENUZI VENTURES -LEKKI	Lagos
SALSBURY WORLDWIDE ENTERPRISES	Lagos
SUARA & COMPANY	Lagos
TRIPPLE P DAZZLED	Lagos
VANCREST GLOBAL VENTURES	Lagos
WHARTON BUSINESS SOLUTIONS	Lagos
ALAKASS NIGERIA ENTERPRISES	Middle Belt
ANCHAD INTEGRATED LTD	Middle Belt
E.C EZUE GLOBAL ENTERPRISE	Middle Belt
IDUH INTEGRATED SERVICES NIG LTD	Middle Belt
IDUH INTEGRATED SERVICES NIG LTD	Middle Belt
IFJANE NIGERIA LIMITED	Middle Belt
J A ONABOWALE AND SONS LIMITED	Middle Belt
J J NNOLI AND SONS	Middle Belt
J.O ADEBIYI & SONS NIGERIA LTD	Middle Belt
KESY DISTRIBUTION AND LOGISTIC LTD	Middle Belt
LASUN DAN MAMA NIGERIA LIMITED	Middle Belt
MUABSA INTEGRATED SERVICES	Middle Belt
OLAYIWOLA GBADAMOSI COMPANY NIGERIA	Middle Belt
OLONAASUNDE VENTURES	Middle Belt
PRODUCTS DISTRIBUTION NETWORK LTD	Middle Belt
RICKMEN HEALTHCARE LIMITED	Middle Belt
SIDI AND SONS BUSINESS SOLUTIONS NIG	Middle Belt
A D BASHARU AND SONS (NIG) LIMITED	North East
A. A FUGU & SONS NIG LTD	North East
BABA GANA MAFONI	North East
LAWALTI GENERAL ENTERPRISE	North East
MENTORS INT. CONFERENCES & SEMINARS LTD	North East
NAHEEM HEIGHTS LIMITED	North East
NAHUWA GENERAL ENTERPRISE	North East
S C OKAFOR NIGERIA LIMITED	North East
WATER VALLEY GENERAL MERCHANDISE	North East
AL-BABELLO GASAU	North West
AL-BABELLO TRADING COMPANY LIMITED	North West
AL-BABELLO TRADING COMPANY LTD – KA	North West
ALBABELLO TRADING CO. LTD KEBBI	North West
ALHAJI ABU ZAMAU ENTERPRISES	North West
ARMU GLOBAL CONCEPT	North West
Paxson Nigeria Company Limited	East
BLESSED IYKE STORES	South Central
BURNAE VENTURES	South Central
BUTTINGS AND TOWERS LIMITED	South Central
CHARLES AMAN NIGERIA LIMITED	South Central
CITO INT'L NIG. LTD KD3	South Central
HUMPHREY OKECHUKWU NWOJI ENTERPRISE	South Central
IBOKIES NIGERIA COMPANY	South Central
M.E UGBOR AND BROTHERS NIG LTD	South Central
MOUNA FRANCES	South Central

Report of the directors (continued)

NAME	REGION
PAXSON NIG COMPANY LTD ONITSHA	South Central
RICKAFE SERVICES LIMITED	South Central
STEVE SYLVER NIGERIA LIMITED	South Central
Sylika Global Resources Enterprises	South Central
TIVO CORPORATE SERVICES INT'L LTD	South Central
TIVO CORPORATE SERVICES INT'L LTD S	South Central
URSULASAM VENTURES	South Central
WILLYMAMA INVESTMENT LTD	South Central
AG GLOBAL RESOURCES SERVICES	South East
B N IGWE AND SONS	South East
BUFFALO WORKS	South East
CY OBIORA NIG ENTERPRISES	South East
ELAUG -15 PROVEST LTD	South East
ELERU BRAND LTD	South East
G.N CHUKWU & SONS ENTERPRISES	South East
IGWT WORLDWIDE CONCEPT LTD	South East
ISANGETTE ENTERPRISES	South East
JANCY INTEGRATED SERVICES	South East
JOOTA UNIVERSAL SERVICES LTD	South East
KAIMA INTEGRATED NETWORK VENTURES L	South East
MARGINAL CONCEPTS LTD	South East
P O KONYEHA AND SONS	South East
PARADISE BAKERIES LTD	South East
PAXSON NIG COMPANY LTD PORTHARCOURT	South East
THEO AND POWELL SERVICES LIMITED	South East
TOMIESHA PRO RESOURCES LTD	South East
WILLVINE RESOURCES NIG LTD	South East
AJOKE DOMINION SERVICES LIMITED	West
DAN SARAT COMPANY NIG LTD	West
DEBBY MEGA MERCHANTS LIMITED	West
ESTFRANS VENTURES LIMITED	West
J O ADEGBOYEGA ENTERPRISES	West
JOHN BOSCO TRADING COMPANY LTD	West
MARZAB MULTIVENTURES	West
NIJI GLOBAL CONCEPT LIMITED	West
R S ABIMBOLA (NIGERIA) ENTERPRISES	West
R.S. ABIMBOLA ENTERPRISES (OSOGBO)	West
THE LORDS DOING G.C.S LTD	West
TORIOLA OLU ENTERPRISES	West
TSQ ALAYO & SONS NIGERIA LTD	West
CARE GLOBAL CONSUMER LIMITED ABUJA	Strategic Partner
CARE GLOBAL CONSUMER LIMITED MT	Strategic Partner
FAREAST MERCANTILE CO. LTD	Strategic Partner
GAME DISCOUNT WORLD LIMITED	Modern Trade
PARK N SHOP	Modern Trade
ADEBIYI & SONS NIGERIA SUPERMARKETS	Modern Trade
AL BABELLO SUPERMARKETS	Modern Trade
H O NWOJI ENTERPRISES SUPER MARKET	Modern Trade
LYG ENTERPRISE – SUPERMARKET	Modern Trade
RENUZI SUPERMARKET	Modern Trade
RONALD RESOURCES LTD – SUPERMATKET	Modern Trade
UNRULY VENTURES SUPERMARKET	Modern Trade

Report of the directors (continued)

Independent auditor

Messrs. KPMG Professional Services (KPMG) acted as the Company's Independent Auditor during the year under review. KPMG has indicated their willingness to continue in office as Independent Auditor in accordance with Section 401 (2) of the Companies and Allied Matters Act 2020. The independent auditor 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
General Counsel GN & Company Secretary
FRC/2013/NBA/00000001646

23 March, 2022

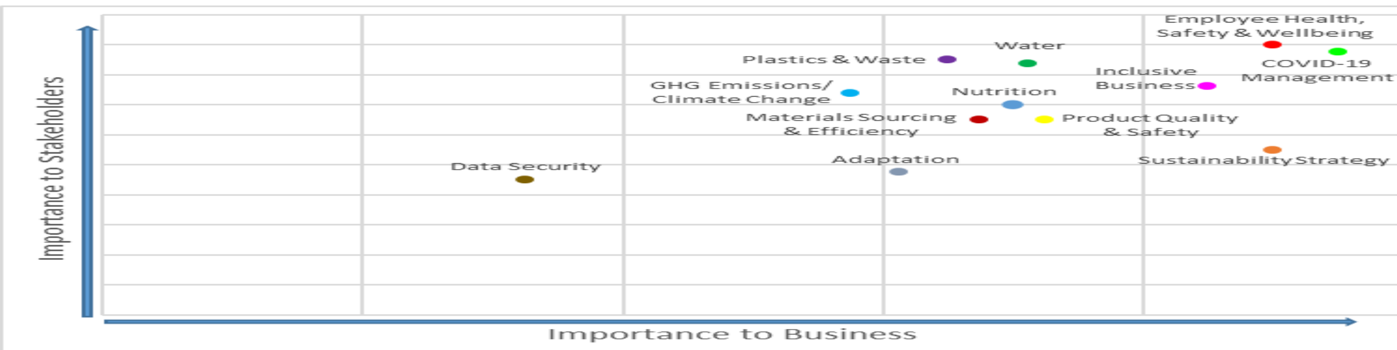
PEOPLE, PLANET AND SOCIETY: SUMMARY OF THE UNILEVER NIGERIA 2021 SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT AND MANAGEMENT

At Unilever Nigeria Plc, we are committed to making sustainable living commonplace through our operations and business activities. We can achieve these by prioritising sustainable value for our internal and external stakeholders who directly and indirectly affect or are affected by our operations. These stakeholders include our employees, consumers, shareholders, investors, business partners, suppliers, regulators, government, and the communities where we operate.

We continuously engage and cooperate with our stakeholders to understand what matters most and how we can respond appropriately. In the year under review, we maintained continuous engagement with these stakeholders on ways to adapt our operations to the new ways of conducting our business efficiently and sustainably.

UNILEVER NIGERIA 2021 MATERIALITY ASSESSMENT PROCESS



For Unilever Nigeria and its stakeholders, materiality assessment and mapping allow us to appropriately prioritise and channel adequate attention and resources to ESG issues with the most impact. We determined our material sustainability issues for 2021 by combining several analyses. These include a desk research, review of responses from stakeholder engagement sessions as well as the Unilever global materiality assessment.

We maintained our practice of ranking issues on two scales: 'Importance to Stakeholders' and 'Business Impacts' and ranked the issues by relevance from 1 – 10 on both scales; where "1" represents 'least relevant' issues, and "10" represents 'most relevant' issues on both scales. Furthermore, we ranked issues that were scored between 1 and 4 as "Moderate"; 5 and 8 as "High"; and 9 and 10 as "Very high".

THE COMPASS AND THE UNILEVER NIGERIA PLC SUSTAINABILITY FRAMEWORK

The **Compass** is the strategy for the Unilever group to be a force for good through purpose and innovation. This strategy reinforces our ongoing commitment to make *Sustainable Living Commonplace* for the more than 8 billion people of the world and for the earth we live on. The Compass is founded on the pillars that *Brands with Purpose Grow; People with Purpose Thrive; and Companies with Purpose Last* and at Unilever Nigeria, we are fully aligned to this strategy and to the corporate vision. We have reflected deeply on the implication of this strategy to our local contexts and have initiated actions to localise and operationalise the strategy as the Unilever Nigeria Sustainability Framework depicted below.

The Unilever Nigeria Sustainability Framework

<table>
<tr><th>Unilever Compass</th><th>People</th><th>Planet</th><th>Society</th></tr>
<tr><td rowspan="2">Powered by our purpose and innovation</td><td>Improve People's health, confidence and wellbeing
Positive nutrition
Health and wellbeing</td><td>Improve the health of the planet
Climate action
Protect and regenerate nature
Waste-free world</td><td>Contribute to a fairer, more socially inclusive world
Equity, diversity and inclusive world
Raise living standards
Future of work</td></tr>
<tr><td colspan="3">Respect human rights
Respect and promote human rights and the effective implementation of the UN Guiding Principles, and ensure compliance with our Responsible Sourcing Policy</td></tr>
<tr><td colspan="4">ESG Reporting and Governance
1. Stakeholder Engagement 2. Materiality 3. Target Setting 4. Impact Assessment 5. Data Collection and Monitoring 6. Reporting</td></tr>
</table>

SUSTAINABILITY INITIATIVES – 2021 IN REVIEW

As a responsible organisation, we understand that we play a critical role in the economic, environmental, and social development of our communities. For example, our products are important to the health and wellbeing of our stakeholders, therefore, we remain firmly committed to enhancing the quality of or products and our positive impacts, while seeking measures to reducing our negative impacts. Following the pandemic which disrupted the global business landscape in 2020 not only in Nigeria but on the global arena, the year 2021 saw many businesses restructure their operational models in a bid to adapt to new ways of doing business. Likewise, this necessitated a drive to improve performance, maintain consistent, competitive, and responsible growth and profitability for our business. Additionally, we tried to tackle emerging sustainability issues and tailor our initiatives to meet the needs of our stakeholders.
In 2021, Unilever developed and conducted various social development initiatives to address the issues that matters most to our communities.

People

We are guided by the fact that our long-term success is largely dependent on the quality of our people and the value we create for our employees. this principle is reflected in our policies and practices and in the way we relate with our people. We aim to achieve an equitable and inclusive culture by eliminating any bias and discrimination in our practices and policies. In this respect, we have set ourselves the target of building a gender-balanced organisation, focusing on our management and we aim to be recognised as the number one employer of choice for people with disabilities.

Employee Health and Wellbeing

As part of our determination and efforts to ensure employee wellbeing and their productivity, we enhanced several initiatives and activities in 2021. We conducted 12 Health and Wellness Learning Sessions through our weekly Safety Health and Environment presentations on a range of topics ranging from breast cancer to Covid 19 safety. To mark World Mental Health Day, we held a week-long campaign to enlighten employees about the tools in place and skills required to maintain their mental health. To celebrate World Aids Day, we held a week-long voluntary HIV testing and counselling for employees and to celebrate World Diabetes Day, we conducted free diabetes screening for employees for a week. Likewise, we celebrated International Women's Day with an "Unmute" campaign to end the silence on Domestic Violence which had increased significantly around the world during the lockdown period of the Covid-19 pandemic.
Furthermore, we deployed activities to encourage uptake of mental health services including Local, HMO and workplace options through our mental Health and Employee Assistance Program.

Human Capacity Development

Our people are crucial not only to achieving our strategic vision and objectives, but also, to maintaining our competitive edge in the marketplace. We prioritise talent development and the continuous training of our employees.
At Unilever, we maintain a training platform through which employees from any part of the world can work on projects and with teams in other parts of the world, thereby, acquiring new skills, testing out roles they may be interested in transitioning into, or providing spare capacity to teams that require it. In 2021, 36.3% of our employees took advantage of this platform.
Our global mobility program ensures that our people can gain experience and exposure in other Unilever subsidiaries and put their experience and expertise to use in other markets. Through this program, 103 employees have taken on assignments in other countries since 2015. Currently, 8 employees are on assignments outside of Nigeria.

The Unilever Scholarship Scheme

Through the Unilever Nigeria Plc Scholarship Scheme, the company pays for the secondary school education of eligible children and wards of its blue-collar employees. These children and wards undertake an aptitude examination conducted by the West African Examination Council (WAEC) to qualify for the scheme which ensures that their fees are paid through their 6 years of secondary school education. The scheme, which was affected in 2020 by the pandemic, was implemented in 2021, thereby increasing the cohort of candidates admitted. A total of 98 students were inducted into the scheme in 2021.
We recognise that education improves the quality of citizen participation and productivity of individuals in a nation, affecting general well-being positively and providing a fairer and equitable chance to access good living standards. We are proud to contribute towards that for our employees.

SUMMARY OF THE UNILEVER NIGERIA 2021 SUSTAINABILITY REPORT (continued)

The Unilever Scholarship Scheme (continued)

Total beneficiaries in 2021:

98 Beneficiaries

More than 1,000 beneficiaries since inception

Our COVID-19 Response

The coronavirus disease is still prevalent around the world and in Nigeria. Although the number of cases has fluctuated from time to time, the high daily tally of COVID-19 infections in Nigeria is still of serious concern to the business community and to the government. Unilever Nigeria has continued to implement effective COVID-19 management practices in its operations such as the distribution of preventive-care kits, communicating up to date information and caring for employees and encouraging employee vaccination.
In 2021, we facilitated eight onsite COVID-19 vaccinations for employees and actively encouraged employees to take advantage of government established vaccination centres. At the end of 2021, 58% of our employees had received at least the first dose of Covid vaccinations. Additionally, we conduct periodic, random rapid antigen testing on employees on all our sites.
At the end of 2021, we had the following Covid-19 response outcomes.

	Nigeria	Unilever
Total # of Infected Persons	240,374	256
Total # of Deaths	3,028	0
Total # of Recoveries	213,491	230
Total # of Tests	3,823,309	11,060
Total Active Cases	23,855	26
% of + Cases to Mortality	1.25	0
Total Employees Back to Work	N/A	230

<u>Planet</u>

Our Climate Action Commitments ☐

Through the Unilever Sustainable Living Plan (USLP), we had committed to halving the environmental footprint of the production and consumer use of our products as we grew our business. Following the development and adoption of our Compass strategy in 2020 which builds on the USLP, we extended these commitments even further by:

- Taking a stand on Climate Action, including commitments to net zero emissions in our operations, which is backed by our Climate Transition Action Plan
- Taking a stand to Protect and Regenerate Nature, including meeting our zero-deforestation goal
- Taking a stand for a Waste-free World, including playing our part in creating circular business models by rethinking how we design our products and packaging.

SUMMARY OF THE UNILEVER NIGERIA 2021 SUSTAINABILITY REPORT (continued)

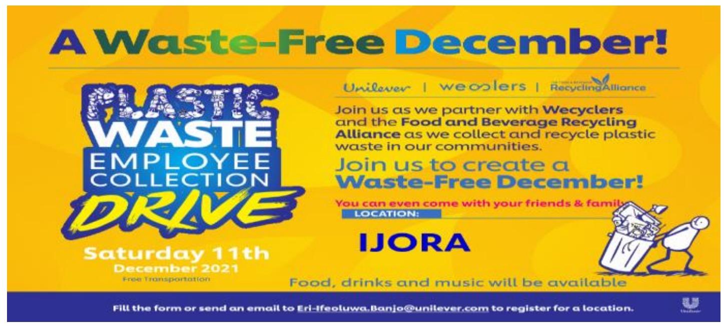
Waste Collection and Recycling

Unilever Plc has been supporting the efforts of social enterprise, Wecyclers, to collect and recycle waste since 2014. In 2019, we signed a 3-year partnership to collect and recycle plastic waste from the environment that was the equivalent in volume to what we produce and sell using community kiosk models. We have since extended our collaboration with Wecyclers, with support from TRANSFORM, to create plastic collection and recycling franchises around the country. These partnerships created 159 jobs in 2021 and the subscribers to our community kiosks collection model are earning more than the national minimum wage monthly from exchanging their plastics waste.

2021 Employee driven Plastic Collection Campaign

Unilever partnered with Wecyclers and the Food and Beverage Recycling Alliance (FBRA) to collect and recycle plastic waste in the Ijora community of Lagos state in October 2021. This initiative was also aimed at increasing the consciousness of the community regarding the harmful environmental impacts of plastic waste. More than 60 individuals from all three organisations at the event and several members of the community mobilised to support the clean-up.

The non-recyclable component of the waste collected during the event was properly disposed by LAWMA and Wecyclers recycled the recyclable component of the waste. Throughout 2022, we will be running a 'Healthy Planet Ideabank' to crowdsource ideas from employs for how we innovate to tackle plastic waste sustainably through our brands and operations.



The total recyclable materials collected was:
35.2kg

Total recyclables as at 2021 :
1,772.51 tons
904.03 from Kiosk collection
8648.48 from Franchise collection

Society

Donation of an 80-bed Isolation Centre

As part of our commitment to making sustainable living commonplace, Unilever Nigeria Plc collaborated with Lafarge Africa to donate an 80-bed isolation facility to Ogun State, Nigeria. The isolation facility was commissioned by the Governor of Ogun State, represented by the Deputy Governor; Engr. Noimot Salako-Oyedele. This isolation centre is a purpose-built and equipped medical facility equipped

80 Bed
Isolation Facility

The Shakti Rural Women Empowerment Initiative

The Shakti program, which was introduced in 2014, is a women empowerment initiative which adopts a door-to-door sales model that employs local women, or 'Shakti ladies' to sell Unilever products within their community as a way of improving their livelihood. In 2021, the program recorded significant growth in the numbers of new Shakti women and met the below key metrics;

Total number of Shakti Women entrepreneurs:
5,000

16 States
in Nigeria

25% Growth
Representing an additional 1,000 women

Organic sales growth of:
10% vs 2020

SUMMARY OF THE UNILEVER NIGERIA 2021 SUSTAINABILITY REPORT (continued)

Partnerships for Development

☐
Unilever Nigeria understands that partnerships are crucial for the attainment of a sustainable society and a key agenda for the achievement of the Sustainable Development Goals of the United Nations.

In July 2021, Unilever, along with UNICEF and other private, public and development partners, launched the "Generation Unlimited" project in Nigeria. This public-private, multi-sector partnership platform, is designed to equip young Nigerians, aged 10 to 30, with skills and opportunities for economic empowerment and social impact on an unprecedented scale by 2030 in Nigeria.

In addition, Unilever Nigeria was part of the founding of the "Unstereotype Alliance" chapter for Nigeria in 2021. The Alliance is a coalition committed to ending harmful stereotypes in media advertising. The Unstereotype Alliance will be a thought and action platform that will harness the influence of the advertising, media, and marketing community as a force for transformative change in Nigeria.

In the same year, we sponsored the UN Global Compact Network Nigeria Women ESG Investment Workshop. The goal of the workshop was to achieve greater business inclusion via female-led MSME support through training and investor-participant linkages.

OUTLOOK FOR 2022

As we go into 2022, we are mindful that the social and environmental challenges we face have not disappeared from our society. Covid-19, for example, is still with us, as are issues relating to the environment, economic empowerment, gender, diversity and inclusion, nutrition, health, and hygiene. While these may seem daunting, we are steadfast in our belief that all hands must be on deck in resolving these issues. Therefore, we remain committed to our purpose of making sustainable living commonplace.
We realise that a strategy for long term economic prosperity is closely linked with one that cares for people, society, and the planet. As we navigate our business landscape to deliver profitable returns to our shareholders, we will do this while creating positive value for people, and planet and the society.

A FULL REPORT OF OUR INTERNAL AND EXTERNAL SUSTAINABILITY INITIATIVES WHICH ALIGNS WITH THE GLOBAL REPORTING STANDARDS, UNITED NATIONS GLOBAL COMPACT, THE NIGERIAN EXCHANGE SUSTAINABILITY DISCLOSUE GUIDELINS AND THE SECURITIES AND EXCHANGE COMMISSION'S SUSTAINABLE FINANCIAL PRINCIPLES FOR THE CAPITAL MARKETS WILL BE PUBLISHED IN A STAND-ALONE SUSTAINABILITY REPORT ON https://unilevernigeria.com/investor-relations/unilever-nigeria-plc-investors-relations-portal/sustainability-reporting-centre/.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

DocuSigned by:
8AEE7BE098E9447

His Majesty N A Achebe CFR, mni
Chairman
FRC/2013/NIM/00000001568
23 March, 2022

Carl Cruz
Managing Director
FRC/2022/PRO/DIR/003/00000023359
23 March, 2022

Statement of Directors' responsibilities for the year ended 31 December 2021

The directors accept responsibility for the preparation of the annual Financial Statements 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 2020 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 (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

	DocuSigned by: 8AEE7BE098E9447	DocuSigned by: 752A29A2EE0D4D1
His Majesty N.A. Achebe CFR, MNI	Carl Cruz	Kenneth Onwudinjo
Chairman FRC/2013/NIM/00000001568	Managing Director FRC/2022/PRO/DIR/003/00000023359	Financial Controller FRC/2012/ICAN/00000000312

23 March, 2022

Statement of Corporate Responsibility for Financial Statements for the year ended 31 December 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we hereby certify that we have reviewed the audited financial statements for year ended 31 December, 2021 and based on our knowledge

i. audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made; and

ii. audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the periods covered by the audited financial statements.

We further certify that the Officers who signed the Financial Statements:

i. are responsible for establishing and maintaining the internal controls and has designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, particularly during the period in which the audited financial statement report is being prepared;

ii. have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements; and

iii. certify that the Company's internal controls are effective as of that date.

In addition, we certify that the officers who signed the audited financial statements have disclosed the following information to the Company's Independent Auditors and Audit Committee that:

i. there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and we have identified for the Company's independent auditors any material weaknesses in internal controls; and

ii. there is no fraud that involves management or other employees who have a significant role in the Company's internal control.

SIGNED BY:

DocuSigned by:
Carl Cruz
8AEE7BE098E9447

Managing Director
FRC/2022/PRO/DIR/003/00000023359
23 March, 2022

DocuSigned by:
752A29A2EE0D4D1

Kenneth Onwudinjo
Financial Controller
FRC/2012/ICAN/00000000312
23 March, 2022

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

In accordance with the provisions of Section 404 (4) & (7) of the Companies and Allied Matters Act 2020, the members of the Statutory Audit Committee of Unilever Nigeria Plc. hereby report as follows:

We have exercised our statutory functions under Section 404(7) of the Companies and Allied Matters Act 2020, and we acknowledge the cooperation of management and staff in the conduct of these responsibilities.
We confirm that:

1. The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.
2. The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal control systems.
3. We have considered the independent auditors' post-audit report in respect of year ended 31 December, 2021 and management responses thereon, and are satisfied thereto.

Members of the Audit Committee are:

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

Dated this 16 March, 2022

Mr David Oguntoye
Chairman
FRC/2013/ANAN/00000002787

KPMG Professional Services
KPMG Tower
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Victoria Island
PMB 40014, Falomo
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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 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2021, 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 (CAMA), 2020 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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.

Disposal of Tea Business
Refer to summary of significant accounting policies (Note 2.18) and discontinued operations note (Note 31) of these financial statements.

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Registered in Nigeria No BN 986925

Partners:
Adegoke A. Oyelami, Adekunle A. Elebute, Adetola P. Adeyemi, Adewale K. Ajayi, Ajibola O. Olomola, Akinyemi Ashade, Ayobami L. Salami, Ayodele A. Soyinka
Ayodele H. Othihiwa, Bolanle S. Afolabi, Chibuzor N. Anyanechi, Chineme B. Nwigbo, Elijah O. Oladunmoye, Goodluck C. Obi, Ibitomi M. Adepoju, Ijeoma T. Emezie-Ezigbo
Joseph O. Tegbe, Kabir O. Okunlola, Lawrence C. Amadi, Martins I. Arogie, Mohammed M. Adama, Nneka C. Eluma, Olabimpe S. Afolabi, Oladimeji I. Salaudeen
Olanike I. James, Olufemi A. Babem, Olumide O. Olayinka, Olusegun A. Sowande, Olutoyin I. Ogunlowo, Oluwafemi O. Awotoye, Oluwatoyin A. Gbagi, Oseme J Obaloje
Tayo I. Ogungbenro, Temitope A. Onitiri, Tolulope A. Odukale, Uzodinma G. Nwankwo, Victor U. Onyenkpa

The Key Audit Matter	How the matter was addressed in our audit
Effective 1 October 2021, the Company disposed of its Tea business to Unilever Tea MSO Nigeria Limited, a related party within the Unilever Group, based on an Asset Sale Agreement entered into by both parties. Further details of the disposal has been provided in Note 31. Subsequent to the disposal, the Company entered into a Transitional Service Agreement ("TSA" or "Agreement") with Unilever Tea MSO Nigeria Limited to assist in the manufacture and sale of tea products for a fee (the "TSA fee"). All proceeds from the sale are remitted to Unilever Tea MSO Nigeria Limited and all costs incurred are charged back to Unilever Tea MSO Nigeria Limited. This is considered a key audit matter as a result of its significance to the business as well as the critical accounting and audit considerations arising from the transaction. .	Our audit procedures included the following: - obtained an understanding of the terms of the disposal and the Transitional Service Agreement by inspecting the key terms and conditions. - performed a process walk through to obtain an understanding of the Company's business operations in line with the terms of the Agreement. - evaluated the appropriateness of the Company's accounting for the disposal of the assets and subsequent TSA transactions based on the relevant agreement terms. - inspected management's adjusting entries to de-recognise the group of assets and liabilities, relating to tea from its financial statements. - observed the inventory count at year end to ascertain inventories owned relating to the Company and ensured that inventories for the tea business are not recognised in the financial statements. - checked the Company's property, plant and equipment register to ensure that assets relating to the tea business have been appropriately derecognized from the effective date of disposal. - re-computed the gain or loss on the disposal of the tea business. - re-computed the TSA fee recognized by the Company in line with the terms of the Agreement. - assessed the adequacy of the disclosures in the financial statements in line with the relevant accounting standards.

Other Information

The Directors are responsible for the other information. The other information comprises the Unilever Purpose and Values, Corporate Profile, Board of Directors, Officers and Other Corporate Information, Results at a glance, Board Profile, Report of the Directors including Corporate Governance Report, Abridged 2021 Sustainability Report, Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2021, Statement of Corporate Responsibility for the Financial Statements for the year ended 31 December 2021, Report of the Audit Committee to the members of Unilever Nigeria Plc and other National Disclosures but does not include the financial statements and our auditor's report thereon. Other information also includes the Notice of Annual General Meeting, Chairman's Statement, Shareholders' Information, amongst others, together the "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 those charged with governance.

Responsibilities of The Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with the Board of Directors and 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 5 of the Companies and Allied Matters Act (CAMA), 2020

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
iii. 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:

Uzodinma Nwankwo, ACA
FRC/2013/ICAN/00000000803
For: KPMG Professional Services
Chartered Accountants
30 March 2022
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
1097229

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	Note	2021 ₦'000	2020 Restated * ₦'000
Revenue	4	70,523,695	52,211,267
Cost of sales	5	(50,161,784)	(41,136,845)
Gross profit		20,361,911	11,074,422
Selling and distribution expenses	5	(3,318,990)	(2,391,988)
Marketing and administrative expenses	5, 9(a)	(15,121,313)	(10,633,136)
Impairment loss on trade and intercompany receivables	17(vi)	(829,576)	(3,770,859)
Other income	6	37,352	66,013
Operating profit/ (loss)		1,129,384	(5,655,548)
Finance income	10	1,027,210	1,545,428
Finance cost	11	(95,742)	(294,993)
Net finance income		931,468	1,250,435
Profit/ (loss) before minimum taxation		2,060,852	(4,405,113)
Minimum tax	12(v)	(182,169)	(131,940)
Profit/ (loss) before taxation		1,878,683	(4,537,053)
Taxation	12(i)	(1,190,417)	779,163
Profit/ (loss) from continuing operations		688,266	(3,757,890)
Discontinued operations			
Profit/ (loss) from discontinued operations	31	2,720,908	(208,031)
Profit/ (loss) for the year		3,409,174	(3,965,921)

* The prior year comparative figures have been restated to reflect the impact of discontinued operations as a single amount in the income statement (Note 33 (i))

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

Statement of profit or loss and other comprehensive income (cont'd)

For the year ended 31 December

	Note	2021 ₦'000	2020 ₦'000
Profit/ (loss) for the year		3,409,174	(3,965,921)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of post employment benefit obligations	22(vi)	330,555	(725,559)
Tax effect	12(ii)	(107,181)	232,179
Other comprehensive income/ (loss), net of tax:		223,374	(493,380)
Total comprehensive income for the year		3,632,548	(4,459,301)
Earnings per share for profit attributable to equity holders:			
Basic and diluted earnings per share (Naira)		0.59	(0.69)
operations		0.12	(0.65)

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

Statement of financial position

As at 31 December

	Note	2021 ₦'000	2020 ₦'000
Assets			
Non-current assets			
Property, plant and equipment	14(i)	22,376,287	27,370,607
Intangible assets	15	3,467	3,852
Deferred tax assets	21	-	163,101
		22,379,754	27,537,560
Current assets			
Inventories	16	14,956,331	13,659,427
Trade and other receivables	17(i)	14,992,655	12,957,466
Cash and cash equivalents	18	55,697,537	37,100,827
Assets held for sale	19	262,258	262,258
		85,908,781	63,979,978
Total assets		108,288,535	91,517,538
Liabilities			
Current liabilities			
Trade and other payables	20	39,739,074	27,422,359
Income tax	12(iii)	478,615	137,070
Loans and borrowings	29	-	239,428
		40,217,689	27,798,857
Non-current liabilities			
Deferred tax liabilities	21	1,063,404	-
Unfunded retirement benefit obligations	22(iv)	454,713	588,473
Retirement benefit obligations	22(v)	421,291	576,521
Long service award obligations	22(iv)	369,770	424,567
		2,309,178	1,589,561
Total liabilities		42,526,867	29,388,418
Equity			
Ordinary share capital	30	2,872,503	2,872,503
Share premium	30	56,812,810	56,812,810
Retained earnings		6,076,355	2,443,807
Total equity		65,761,668	62,129,120
Total equity and liabilities		108,288,535	91,517,538

The financial statements were approved for issue by the Board of Directors on 23 March 2022 and signed on its behalf by:

	DocuSigned by: Carl Cruz 8AEE7BE098E9447	DocuSigned by: 752A29A2EE0D4D1
His Majesty N.A. Achebe CFR, MNI	Carl Cruz	Kenneth Onwudinjo
Chairman	Managing Director	Financial Controller
FRC/2013/NIM/00000001568	FRC/2022/PRO/DIR/003/00000023359	FRC/2012/ICAN/00000000312

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

Statement of changes in equity

For the Year ended 31 December

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total ₦'000
Balance at 1 January 2020	2,872,503	56,812,810	6,843,037	66,528,350
Total comprehensive loss for the year				
Loss for the year	-	-	(3,965,921)	(3,965,921)
Other comprehensive loss				
Remeasurement of post employment benefit obligations (Note 22(vi))			(725,559)	(725,559)
Tax effect (Note 12(ii))			232,179	232,179
Remeasurement on post employment benefit obligations, net of tax			(493,380)	(493,380)
Transactions with owners				
Unclaimed dividend transferred to retained earnings (Note 20)	-	-	60,071	60,071
	-	-	60,071	60,071
At 31 December 2020	2,872,503	56,812,810	2,443,807	62,129,120
Balance at 1 January 2021	2,872,503	56,812,810	2,443,807	62,129,120
Total comprehensive profit for the year				
Profit for the year	-	-	3,409,174	3,409,174
Other comprehensive income				
Remeasurement of post employment benefit obligations (Note 22(vi))			330,555	330,555
Tax effect (Note 12(ii))			(107,181)	(107,181)
Remeasurement on post employment benefit obligations, net of tax			223,374	223,374
	-	-	3,632,548	3,632,548
At 31 December 2021	2,872,503	56,812,810	6,076,355	65,761,668

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

Statement of cash flows

For the Year ended

	Note	2021 ₦'000	2020 ₦'000
Cash generated from operations	24	20,299,380	2,462,633
Retirement benefits paid	22(iv)	(46,673)	(40,347)
Long service award obligations paid	22(iv)	(39,170)	(21,270)
Tax paid	12(iii)	(123,584)	-
Net cashflow generated from operating activities		20,089,953	2,401,016
Cash flows from investing activities			
Interest received	10	590,607	209,121
Purchase of property, plant and equipment	14(i)	(1,622,462)	(1,046,550)
Proceeds from sale of property, plant and equipment		103,935	17,445
Net cashflow used in investing activities		(927,920)	(819,984)
Cash flows from financing activities			
Payment of lease	29(i)	(239,428)	(244,489)
Payment of interest on lease liability	29(i)	(41,824)	(84,534)
Interest expense	11	(26,162)	(29,186)
Dividend paid	20(i)	(55,664)	(70,689)
Net cash flow used in financing activities		(363,078)	(428,898)
Net increase in cash and cash equivalents		18,798,955	1,152,134
Impact of foreign exchange movement on cash balance		(202,245)	490,141
Cash and cash equivalents at the beginning of the year		37,100,827	35,458,552
Cash and cash equivalents at the end of the year	18	55,697,537	37,100,827

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

Notes to the financial statements

1 Basis of accounting

1.1a Statement of compliance

The financial statements of Unilever Nigeria Plc ("Unilever" or "the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 , Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

These financial statements were authorised for issue by the Company's board of directors on 23 March 2022.

1.1b Basis of measurements

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

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

1.2 Functional and presentation currency

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

1.3 Going concern

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

1.4 Standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing the Company's financial statements.

The following new and amended standards are not expected to have a significant impact on the Company’s financial statements.

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).*
- *Annual Improvements to IFRS Standards 2018–2020.*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*

'- *Reference to Conceptual Framework (Amendments to IFRS 3).*

– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*

– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

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

– *Definition of Accounting Estimates (Amendments to IAS 8).*

Notes to the financial statements (continued)

2 Summary of significant accounting policies

2.1 Property, plant and equipment

(i) Recognition, derecognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. All property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Land	-	Nil
Buildings	-	2.5%
Plant and machinery	-	7%
Furniture and equipment *	-	25%
Motor vehicles	-	25%

During 2021, the Company conducted a review of the useful life of its Office Furniture & Equipment including amongst others, chairs, tables, air conditioners, lockers, cabinets etc. Office Furniture & Equipment which management had previously depreciated for 14 years, is now expected to be used for 4 years as a result of frequency of usage, wear, and tear. The effect of these changes are on note 14(vii).

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

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

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

2.2 Intangible assets

Computer software

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Intangible assets (continued)

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

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

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

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

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

2.3 Impairment of non-financial assets

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

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

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

2.4 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Assets held for sale (continued)

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2.5 Financial instruments

2.5.1 Recognition and initial measurement

Financial instruments (i.e. financial assets and liabilities) are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

2.5.2 Classification and subsequent measurement

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

(i) *Financial assets*

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains & losses including any interest or dividend income are recognised in the statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the statement of profit or loss.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

2.5.2 Classification and subsequent measurement (Continued)

(i) **Financial assets (continued)**

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of profit or loss.

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

(ii) *Derivative financial instruments*

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

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

2.5.3 Derecognition

- Financial assets

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

- Financial liabilities

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

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

- Trade finance obligations

Trade finance obligations are recognised when the Company enters into an agreement with a financial institution, where they agree to pay amounts the Company owes to its suppliers and the Company agrees to pay the financial institution at the same date as, or a date later than when the suppliers are paid.

Trade finance obligations are financial liabilities that are disclosed as part of trade and other payables because the nature and function of the financial liability remain the same as those of other trade payables and disclosed as disaggregated amounts in the notes. All payables under the trade finance arrangement are classified as current as at 31 December 2021.

Trade finance obligations are classified as cash flows from operating activities or cash flow from financing activities depending on the nature of the liabilities that are part of the arrangement i.e. for working capital purposes or for borrowings

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.5.4 Offsetting financial instruments

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

2.6 Impairment of financial assets

Non- derivative financial assets

The Company recognises loss allowances for Expected Credit Loss (ECLs) on financial assets measured at amortised cost

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

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

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

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

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

- the borrower is unlikely to pay its credit obligations to the Company in full without recourse by the Company to actions such as realising security (if any is held) or
- the financial asset is more than 180 days past due

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

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

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

Measurement of ECLs

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

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

Credit- impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or being more than 180 days past due
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

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

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

2.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

2.8 Inventories

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.9 Cash and cash equivalents

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

2.10 Provisions

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

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

2.11 Income tax

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

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

(i) Current income tax

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

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

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

Total amount of tax payable under Company Income Tax Act is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.11 Income tax

(i) Current income tax

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(ii) Deferred income tax

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

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

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

(iii) Minimum tax

The Company is subject to the Finance Act 2020 as enacted, which amends the Company Income Tax Act (CITA). Total amount of tax payable under this is determined based on the higher of two components; Company Income Tax Act on taxable income (or loss) for the year, and minimum tax (determined based on 0.25% (2020: 0.25%) of qualifying Company's turnover less franked investment income). Taxes based on taxable profit are treated as income tax in line with IAS 12, whereas minimum tax based on gross amount is outside the scope of IAS 12 and therefore not presented as tax expense in the statement of prfit or loss.

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.12 Employee benefits

(a) Post-employment benefit plans

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

(i) Defined contribution scheme

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

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

(ii) Defined benefit plans

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

The cost of defined benefit plans is determined using the projected unit credit method. The pension liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

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

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

(b) Other long term employee benefits

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

(c) Short term employee benefits

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.13 Revenue

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

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

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 20) and the right to receive returned goods is included in inventory (Note 16).

The Company reviews its estimates of expected returns at each reporting date and updates the amounts of assets and liability accordingly.
See note 27 for details of revenue disaggregated by business category and geographical location

2.14 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. *As a lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Lease (continued)

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

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

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

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.15 Dividend distribution

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

2.16 Finance income and finance cost

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

Finance income includes interest received or receivable on balances and deposits with banks, exchange differences and derivative gains on derivative financial assets.

Finance cost includes interest on borrowings, interest charge related to defined benefit plans, gains or losses arising on the early settlement of debt, exchange difference on non-derivative financial assets and liabilities and derivative losses on derivative financial liabilities.

Notes to the financial statements (continued)

2.16 Finance income and finance cost (continued)

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.17 Share capital and share premium

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

When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over their par value is recorded in the share premium reserve.

All ordinary shares rank equally with regard to the Company residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entited to one vote per share at general meetings of the Company. Incremental assets direclty attributable to the issue of ordinary shares are recognised as a deduction from equity net of any tax effects.

2.18 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:
– represents a separate major line of business or geographic area of operations;
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
– is a subsidiary acquired exclusively with a view to resale.
Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

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:

Judgements

Lease term: whether the Company is reasonably certain to exercise extension options. (Note 23(iv))

Assumptions and estimation uncertainty

(i) Retirement benefit and long service award obligations

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

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

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

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

Future salary increases are based on expected future inflation rates in Nigeria. Further details about the assumptions are given in Note 22.

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

(iii) Measurement of ECL allowance of trade and intercompany receivables (Note 26.1 (b))

(iv) Recognition and measurement of income tax (Note 12) and deferred taxes (Note 21)

(v) Allowance for slow moving, obsolete and damaged inventory (Note 16)

Notes to the financial statements (continued)

4 Revenue

	2021 ₦'000	2020 ₦'000
(a) Revenue for the year which arose from sales of goods comprise:		
Domestic (within Nigeria)	69,767,230	50,890,436
Export (outside Nigeria)	756,465	1,320,831
	70,523,695	52,211,267

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

The Company has 93 (2020: 102) key distributors, and one key distributor accounted for more than 10% of the Company's revenue.

(b) Right of Return

In line with the adoption of IFRS 15, a refund liability of ₦292.3 million (2020: ₦543.4 million) has been recognised for the right to return goods sold. Management has made an estimate based on historical trend of likely sales returns by customers subsequent to year end. The amount of revenue recognised is adjusted for expected returns. A refund liability (Note 20) and the right to recover returned goods asset have been recognised (Note 16).

5 Expenses by nature

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

	2021 N'000	2020 ₦'000
Raw materials and consumables	37,972,099	28,526,274
Bought in products	2,267,243	820,800
Depreciation of property, plant and equipment (Note 14(i))	3,535,385	5,135,811
Amortisation of intangible assets (Note 15)	385	222,081
Employee costs (Note 8)	9,222,695	9,315,793
Brand and marketing (Note 9(a))	4,816,559	2,726,762
Royalties and Service Fees (Note 9(a))	1,869,485	1,317,993
Handling charges	2,206,470	1,558,197
Auditors' remuneration	45,191	40,384
Professional service fees	359,055	203,725
Utilities	1,963,331	893,659
Business travel	487,305	214,084
IT costs	308,525	436,171
Consumer market research	446,846	258,258
Lease rental *	119,124	69,185
Repairs and maintenance cost	2,388,691	1,708,950
Insurance	72,453	82,064
Donations	122,305	243,709
Trainings and meals	288,690	343,551
Impairment loss (Note 17 (vi))	829,576	3,770,859
Office materials	110,251	44,518
Total cost of sales, selling and distribution, marketing and administrative expenses and impairment losses	69,431,664	57,932,828
Analysed as:		
Cost of sales	50,161,785	41,136,845
Selling and distribution expenses	3,318,990	2,391,988
Impairment loss (Note 17 (vi))	829,576	3,770,859
Marketing and administrative expenses	15,121,313	10,633,136
	69,431,664	57,932,828

Notes to the financial statements (continued)

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

6 Other income

	2021 ₦'000	2020 ₦'000
Loss on sale of property plant and equipment	-	(979)
Transitional Service Agreement income (i)	37,352	66,992
	37,352	66,013

(i) Subsequent to the disposal of the Tea business during the year, Unilever entered into a Transitional Service Agreement ("the Agreement") with the new owner, Unilever Tea MSO Nigeria Limited. The Agreement will be in place for a period of 15 months, during which time Unilever would provide production and sales support to Unilever Tea MSO Nigeria Limited in exchange for a fee.
Further details of the Agreement are disclosed in Note 28(iii)

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:

	2021 ₦'000	2020 ₦'000
(i) Short term benefits		
Non executive directors	73,357	73,357
Executive directors	476,364	510,994
Members of the Leadership team (excluding executive directors)	1,058,453	866,937
	1,608,174	1,451,288
(ii) Post-employment benefits:		
Executive directors	17,200	17,300
Members of the Leadership team (excluding executive directors)	52,424	44,819
	69,624	62,119

	2021 ₦'000	2020 ₦'000
(iii) The emoluments of the Chairman of Board of Directors	19,959	19,959
(iv) The emoluments of the highest paid director	231,565	245,000

8 Employee costs

	2021 ₦'000	2020 ₦'000
Salaries and wages	5,049,541	5,047,080
Pension contribution	526,033	509,644
Current service charge for unfunded retirement benefit obligation and long service awards (Note 22(vi))	50,504	(16,367)
Other employee allowances	3,596,617	3,775,436
	9,222,695	9,315,793

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

Notes to the financial statements (continued)

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

	2021 Number	2020 Number
Administration	89	90
Technical and production	560	565
Sales and marketing	106	122
	755	777

8 Employee costs (continued)

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

₦		₦	2021 Number	2020 Number
Below 1,750,000			13	-
1,750,001	-	2,000,000	3	11
2,000,001	-	2,250,000	0	39
2,250,001	-	2,500,000	3	88
2,500,001	-	2,750,000	11	113
2,750,001	-	5,000,000	482	270
5,000,001	-	10,000,000	110	112
10,000,001	-	15,000,000	56	61
15,000,001	-	20,000,000	17	24
20,000,001	-	30,000,000	36	33
30,000,001	-	40,000,000	8	11
40,000,001	-	60,000,000	4	5
60,000,001	-	80,000,000	5	6
Above 80,000,000			7	4
			755	777

9 Marketing and administrative expenses

(a) This is analysed as follows:

	2021 ₦'000	2020 ₦'000
Brand and marketing	4,816,559	2,726,762
Overheads	8,435,269	6,588,381
Royalties and Service Fees	1,869,485	1,317,993
	15,121,313	10,633,136

(b) Unilever Nigeria Plc has Technology & Trademark agreements with Unilever UK Plc to manufacture, distribute and market its international brands. In consideration for this, a royalty of 2% of net sales value and 0.5% of net sales value is payable to Unilever Plc for technology and trademark licences respectively (Note 28).

In line with the approval from the regulatory authority, National Office for Technology Acquisition and Promotion, the royalty payment for these agreements are capped at NGN 3. 47 billion and NGN 0.87 billion respectively per annum.

Notes to the financial statements (continued)

Also, Unilever Nigeria has a central support and management services agreement with Unilever Europe Business Centre B.V (previously Unilever Plc) for the provision of corporate strategic direction, and expert advice/support on legal, tax, finance, human resources and information technology matters. In consideration of this, a fee of 2% of profit before tax is payable as service fees (Note 28).

In line with the approval from the regulatory authority, National Office for Technology Acquisition and Promotion, the royalty payment for central support and management services is capped at NGN 0.11 billion per annum.

10 Finance income

	2021 ₦'000	2020 ₦'000
Interest on call deposits and bank accounts	590,607	209,121
Net exchange gain on translation of foreign currency denominated balances	436,603	1,336,307
	1,027,210	1,545,428

11 Finance cost

	2021 ₦'000	2020 ₦'000
Interest expense on lease liabilities	37,068	29,455
Interest expense	26,162	29,186
Employee benefit charge	32,512	236,352
	95,742	294,993

12 Taxation

(i) Income statement

	2021 ₦'000	2020 ₦'000
Tertiary education tax	70,999	46,298
Nigeria Police Trust Fund	91	-
	71,090	46,298
Deferred tax charge/ (credit) (Note 21)	1,119,327	(825,461)
Tax charge to income statement - Continuing operations	1,190,417	(779,163)
Tax charge to income statement - Discontinuing operations (Note 31)	394,039	2,497
Total tax charge (Note 12(iv))	1,584,456	(776,666)

(ii) Other comprehensive income

	2021 ₦'000	2020 ₦'000
Deferred tax on temporary differences	107,181	(232,179)

Company income tax was not charged in current year as there was no taxable profit.
Tertiary education tax charge is at 2.5% of assessable profits in accordance with Finance Act 2020.

Notes to the financial statements (continued)

12 Income tax (continued)

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

	2021	2020
	₦'000	₦'000
At 1 January:	137,070	88,375
		-
Charge for the year - continuing operations:		
- Tertiary education tax	70,999	46,198
- Nigeria Police Trust Fund	91	-
Charge for the year - discontinuing operations:		
- Tertiary education tax	117,871	2,497
- Capital Gains tax	276,168	-
Tax paid:		
Cash	(123,584)	-
At 31 December	478,615	137,070

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

	2021	2020
	₦'000	₦'000
Profit/ (loss) before tax - continuing	2,060,852	(4,405,113)
Profit/ (loss) before tax - discontinued	3,138,322	(181,163)
	5,199,174	(4,586,275)

Tax calculated at the applicable statutory rate of 30% (2020: 30%)	30%	1,559,752	30%	(1,375,882)
Tertiary education tax at 2.5% (2020: 2%)	2.5%	129,979	2%	(91,725)
Tax effects of expenses not deductible for tax purposes	7%	376,652	-17%	758,890
Tax effects on tax incentives	1%	38,229	2%	(100,052)
Effect of difference in tax rate	-10%	(520,156)	0%	-
Change in recognised deductible temporary differences		-	-1%	32,103
Tax charge/ (credit) in income statement	30%	1,584,456	18%	(776,666)

(v) Minimum tax in current year has been computed based on 0.25% (2020: 0.25%) of turnover in line with

Notes to the financial statements (continued)

13 Earnings and declared dividend per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares. There were no potentially dilutive shares at the reporting date (2020: nil), thus the basic earnings per share and diluted earnings per share have the same value.

	2021 ₦'000	2020 ₦'000
Profit/ (loss) attributable to ordinary shareholders	3,409,174	(3,965,921)
Profit/ (loss) attributable to ordinary shareholders (continuing operations)	688,266	(3,757,890)
Weighted average number of ordinary shares	5,745,005	5,745,005
Basic and diluted earnings per share (Naira)	0.59	(0.69)
Basic and diluted earnings per share (Naira) - continuing operations	0.12	(0.65)

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.

(b) Dividend declared per share

Dividend per ordinary share of 50 Kobo (2020: nil) was declared during the year, amounting to ₦ billion (2020: nil).

Dividend declared is subject to withholding tax before payment to the recipients.

Notes to the financial statements (continued)

14 Property, plant and equipment (PPE)

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

(i)

	Capital work-in-progress	Leasehold land	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Total
Cost	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At 1 January 2020	5,516,177	433,640	11,555,604	30,934,734	1,939,348	1,360,164	51,739,667
Additions	977,922	-	68,628	-	-	-	1,046,550
Transfers	(5,543,280)	-	1,517,196	3,925,062	90,720	10,302	-
Reclassification to assets held for sale	-	-	-	(1,021,000)	(11,745)	-	(1,032,745)
Write-offs	-	-	(348,152)	(3,857)	(3,733)	(36,666)	(392,408)
Disposals	-	-	(29,487)	(619,921)	(19,003)	(44,836)	(713,247)
At 31 December 2020	950,819	433,640	12,763,789	33,215,018	1,995,587	1,288,964	50,647,817
Balance as at 1 January 2021	950,819	433,640	12,763,789	33,215,018	1,995,587	1,288,964	50,647,817
Additions	1,622,462	-	-	-	-	-	1,622,462
Disposals	-	-	(113,448)	(6,719,278)	(145,485)	(339,229)	(7,317,440)
Transfers	(1,617,641)	-	107,105	919,218	37,263	554,055	-
Transfer between classes	-	-	-	366,953	(366,953)	-	-
Write off	-	-	-	(181,972)	(83,211)	-	(265,183)
At 31 December 2021	955,640	433,640	12,757,446	27,599,939	1,437,201	1,503,790	44,687,656
Accumulated Depreciation / impairment							
At 1 January 2020	-	3,190	2,243,776	15,983,759	724,972	826,550	19,782,247
Depreciation charge for the year	-	-	660,237	4,053,842	189,551	232,181	5,135,811
Reclassification to assets held for sale	-	-	-	(765,848)	(4,639)	-	(770,487)
Write-offs	-	-	(116,459)	(1,796)	(2,190)	(36,665)	(157,110)
Disposals	-	-	(29,487)	(619,921)	(19,003)	(44,836)	(713,247)
At 31 December 2020	-	3,190	2,758,067	18,650,036	888,691	977,230	23,277,214
Depreciation charge for the year	-	-	1,104,373	1,784,833	430,099	216,080	3,535,385
Disposals	-	-	(53,225)	(2,507,524)	(136,657)	(338,857)	(3,036,263)
Transfer between classes	-	-	-	65,051	(65,051)	-	-
Write off	-	-	-	(1,382,941)	(82,025)	-	(1,464,966)
At 31 December 2021	-	3,190	3,809,215	16,609,454	1,035,057	854,453	22,311,369
Net book value:							
At 1 January 2020	5,516,177	430,450	9,311,828	14,950,975	1,214,376	533,614	31,957,420
At 31 December 2020	950,819	430,450	10,005,722	14,564,982	1,106,896	311,734	27,370,607
At 31 December 2021	955,640	430,450	8,948,231	10,990,486	402,143	649,337	22,376,287

Notes to the financial statements (continued)

14 Property, plant and equipment (PPE)

(ii) Included in building is right-of-use assets of ₦650 million and accumulated depreciation of ₦607 million related to leased properties that do not meet the definition of investment property (See Note 23(i)).

(iii) In prior year, the Company retired some assets, and re-estimated the useful life to nil. As such, the net book value of these retired assets was written down to nil. The amount written off amounted to ₦1.1 billion and was recognised as depreciation in the year.

(iv) Security
As at 31 December 2021, no item of property, plant and equipment was pledged as security for liabilities (2020: nil).

(v) Capital work-in-progress

The capital work-in-progress of ₦955 million (2020: ₦950 million) represents buildings and plant and machinery under construction and other property, plant and equipment not available for use in the manner intended by management.

	Land & Building	**Plant & Machinery**	**Total**
	₦'000	**₦'000**	**₦'000**
Capital work-in-progress	545,858	409,782	955,640

(vi) Capital commitments

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

	2021	**2020**
	₦'000	**₦'000**
Capital commitments	499,000	427,068

(vii) Change in estimates

During 2021, the Company conducted a review of the useful life of its Office Furniture & Equipment including amongst others, chairs, tables, air conditioners, lockers, cabinets etc. Office Furniture & Equipment which management had previously depreciated for 14 years, is now expected to be used for 4 years as a result of frequency of usage, wear, and tear. The effect of these changes on actual and expected depreciation expense, included in 'administrative expenses', was as follows.

	2022	**2023**	**2024**	**2025**	**2026**	**Later**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Increase in depreciation	163,160	(41,731)	(56,796)	(66,822)	(66,766)	(20,581,137)

Notes to the financial statements (continued)

15 Intangible assets

Intangible assets comprise computer software

	2021	2020
Cost:	₦'000	₦'000
At 1 January	2,192,460	2,192,460
At 31 December	2,192,460	2,192,460
Amortisation:		
At 1 January	2,188,608	1,966,527
Charge for the year	385	222,081
At 31 December	2,188,993	2,188,608
Net book value as at 31 December	3,467	3,852

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

16 Inventories

	2021	2020
	₦'000	₦'000
Raw and packaging materials	10,189,180	8,919,346
Work in progress	343,519	484,445
Goods in Transit	969,957	648,980
Finished goods	2,180,366	2,179,088
Engineering spares and other inventories	1,045,428	1,001,291
Right to recover returned goods *	227,881	426,277
	14,956,331	13,659,427

* The right to recover returned goods represents the Company's right to recover products from customers where customers exercise their right of return under the Company's returns policy. The Company uses its accumulated historical experience to estimate the number of returns in a year using expected value method. Refund liabilities for the right to recover returned goods is disclosed in Note 20.

The amount of inventories written down and included in cost of sales was ₦258.6 million (2020: ₦568.2 million). This represents allowance for slow-moving, obsolete, damaged and missing inventories.
The cost of inventories recognized as an expense and included in cost of sales amounted to ₦ 37.9billion (2020: ₦28.5 billion).

17 Trade and other receivables

	2021	2020
(i) Trade and other receivables account is analysed as follows:	₦'000	₦'000
Trade receivables: gross	5,769,679	7,410,006
Less: rebate accruals	(1,019,156)	(2,616,594)
Less: impairment	(1,284,069)	(2,074,464)
Trade receivables: net	3,466,454	2,718,948
Advances and prepayments *	1,733,074	5,116,358
Derivative financial assets	-	22,036
Unclaimed dividend held with registrar	356,588	412,252
Interest receivable	67,585	9,398
Other receivables	259,018	447,575
Due from related parties (Note 28 (vi))	8,964,067	3,016,811
Deposit for imports (Note 17 (v))	145,869	1,214,088
	14,992,655	12,957,466

Notes to the financial statements (continued)

* Advances and prepayments include advance payments to vendors, short term and low valued prepaid insurance premium, and warehouse rent.

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

	2021 ₦'000	2020 ₦'000
Movement in trade and other receivables	(2,035,189)	11,173,560
Receivable for sale of tea business to Unilever Tea MSO Nigeria Lt	5,373,971	-
Net impairment charge on receivables (Note 17(vi))	(829,576)	(3,770,859)
Movement in trade and other receivables per statement of cashflows	2,509,207	7,402,701

	2021 ₦'000	2020 ₦'000
(ii) Analysis for trade receivables:		
Carrying amount not past due	3,366,324	2,601,049
Carrying amount past due less than 3 months	96,458	98,584
Carrying amount past due 3 - 6 months	3,672	19,315
Carrying amount past due 6 months & above	-	-
	3,466,454	2,718,948

Information about the Company's exposure to credit risk and impairment losses for trade receivables is included in note 26.1(b)

	2021 ₦'000	2020 ₦'000
(iii) Movement in allowance for trade receivables:		
At 1 January	2,074,464	1,389,939
Impairment loss (17 (vi))	72,850	684,525
Bad debt written off	(863,245)	-
At 31 December	1,284,069	2,074,464

(iv) Analysis of related parties receivables:	2021 ₦'000	2020 ₦'000
Carrying amount not past due	8,589,696	152,055
Carrying amount past due less than 3 months	132,510	55,150
Carrying amount past due 3 - 6 months	35,824	112,866
Carrying amount past due 6 months & above	206,037	2,696,740
	8,964,067	3,016,811

Receivables from related parties arose from:

- Export sales and reimbursables for shared services which are payable within 90 days
- The services provided to Unilever Tea MSO Nigeria Limited in line with the terms of the Transitional Service Agreement which is payable within 20-85 days
- Purchase consideration in relation to the disposal of the tea business which is payable on demand.

Receivables have been subjected to impairment assessment in line with IFRS 9 and the appropriate impairment loss recognised in the statement of profit or loss. Information about the Company's exposure to credit risk and impairment losses for intercompany receivables in included in note 26.1(b)

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

Notes to the financial statements (continued)

(vi) Impairment loss on trade and intercompany receivables recognised in profit or loss

	2021	2020
	₦'000	₦'000
Trade receivables (17 (iii))	72,850	684,525
Bad debt written (back)/ off *	(9,546)	396,305
Total impairment loss on trade receivables	63,304	1,080,830
Impairment loss on Intercompany receivables	766,271	2,690,029
Total impairment loss recognised in profit or loss (Note 5)	829,576	3,770,859

* Amount represent trade receivables balance which the Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(v) Movement in rebate accruals

	2021	2020
	₦'000	₦'000
Opening balance	2,616,594	828,164
Accrued in the year	3,772,970	8,231,864
Payout in the year	(4,845,537)	(6,371,489)
Excess reversed to income statement	(524,871)	(71,945)
Closing balance	1,019,156	2,616,594

18 Cash and cash equivalents

	2021	2020
	₦'000	₦'000
Cash at bank	40,629,495	30,248,366
Fixed deposit	15,068,042	6,852,461
	55,697,537	37,100,827

Included in cash and cash equivalents is restricted cash of ₦4.6bn (2020: ₦3.4bn) on unclaimed dividend held in a separate bank account, and letter of credit for the acquisition of inventories. ₦3.4bn of this amount was invested by the Company's registrar in line with SEC rules on dividend investment (2020: ₦3.4bn).

19 Assets held for sale

In 2020, management committed to a plan to sell part of its manufacturing facility within the Home and Personal Care segment. Accordingly, part of that facility was presented as asset held for sale at the carrying amount of N262 million.

In current year, management has had to carry out an overhaul on the facilities in line the terms of the sale agreement with the new owners. As such, the sale was not concluded during the year.

As at 31 December 2021, efforts to sell the part of this manufacturing facility have reached an advance stage, and the sale is expected to be concluded before 31 December 2022.

20 Trade and other payables

	2021	2020
	₦'000	₦'000
Trade payables	11,205,275	6,653,534
Trade finance facility (Note (20i))	7,094,621	-
Amount due to related companies (Note 28 (vi))	5,515,920	5,048,375
Dividend payable (Note 20(ii))	6,413,241	6,468,906
Accrued liabilities	4,118,568	2,520,528
Accrued brand and marketing expenses	1,620,077	2,075,209
Accrued shipping and freight charges	1,719,901	1,690,222
Other payables	94,738	444,989
	37,782,341	**24,901,763**

Notes to the financial statements (continued)

Other non-financial payables:		
Refund liabilities	292,378	543,431
Minimum tax payable	222,206	171,728
Statutory deductions	1,264,616	874,556
Non trade payables	177,533	930,881
	1,956,733	**2,520,596**
Total trade and other payables	**39,739,074**	**27,422,359**

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

	2021	**2020**
	₦'000	**₦'000**
Movement in trade and other payables	12,316,716	(7,141,039)
Unclaimed dividend transferred to retained earnings	-	60,071
Dividend paid	55,664	-
Minimum tax charge	(205,544)	(156,311)
Foreign exchange difference*	202,245	(491,232)
Movement in trade and other payables per statement of cashflows	12,369,081	(7,728,511)

(i) The Company is involved in trade financing arrangements with some local banks where the banks agree to pay amounts to foreign vendors in respect of invoices owed by the Company and receives settlement from the Company at a later date. The principal purpose of the arrangement is to facilitate efficient payment processing in view of the challenges being experienced with sourcing foreign currency in the Nigerian market. The arrangement enables the Company settle its foreign obligations in a timely manner to facilitate receipt of key input materials required in the production of finished goods.

The total amount approved by the banks as available for this in 2021 amounted to N41.7 billion and amounts paid by the bank are due to be settled by the Company within one year at an average interest charge of LIBOR +8%.

The balance due to the banks for payments made as at year end amounted to N7.1 billion.

(ii) Dividend payable

	2021	**2020**
	₦'000	**₦'000**
As at 1 January	6,468,905	6,599,665
Dividend paid	(55,664)	(70,689)
Unclaimed dividend transferred to retained earnings	-	(60,071)
As at 31 December	6,413,241	6,468,905

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

Included in dividend payable is ₦2.8bn (2020: ₦2.8bn) due to Unilever Overseas Holding (Note (28(v)).

As at 31 December 2021, ₦357 million (2020: ₦412 million) of the total dividend was held with the Company's Registrar, GTL Registrars Limited.

Notes to the financial statements (continued)

21 Deferred tax liabilities/ (assets)

Deferred income tax is calculated using the statutory income tax rate of 32% (2020: 32%). The movement on the deferred tax account is as follows:

The movement in deferred tax is as follows:

Deferred tax (assets)/ liability:	₦'000	₦'000
At start of year	(163,101)	894,439
Changes during the year:		
- Charge / (credit) to income statement (Note 12(i))	1,119,326	(825,361)
- Charge / (credit) to other comprehensive income	107,181	(232,179)
At end of year	1,063,404	(163,101)

The movement in the deferred tax account is as follows:

Deferred tax liabilities/(assets)	Property, plant and equipment ₦'000	Employee benefit obligations ₦'000	Other temporary differences* ₦'000	Leases ₦'000	Exchange difference ₦'000	Total ₦'000
At 1 January 2020	4,423,706	(392,535)	(2,219,039)	(225,831)	(691,862)	894,439
Charge/(credit) to income statement	(1,928,952)	116,054	(389,434)	181,093	1,195,879	(825,361)
Charge to other comprehensive income	-	(232,179)	-	-	-	(232,179)
At 31 December 2020 / 1 January 2021	2,494,754	(508,660)	(2,608,473)	(44,738)	504,017	(163,101)
Charge/(credit) to income statement	932,812	(3,397)	246,300	58,550	(114,940)	1,119,326
Charge to other comprehensive income	-	107,181	-	-	-	107,181
At 31 December 2021	3,427,566	(404,876)	(2,362,172)	13,812	389,077	1,063,404

*Other temporary differences comprises provisions for trade receivables, inventories, and restructuring. Unrelieved loss amounted to nil (2020: ₦1.6bn).

Notes to the financial statements (continued)

22 Retirement benefit obligation

(i) Retirement benefit obligation

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

(ii) Long service obligation

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

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

	2021 ₦'000	2020 ₦'000
Funded retirement benefit obligation (Note 22(v))	(1,867,087)	(2,386,244)
Fair value of plan assets (Note 22(v))	1,445,796	1,809,723
Retirement benefit obligations	(421,291)	(576,521)
Unfunded retirement benefit obligations (Note 22(iv))	(454,713)	(588,473)
Long service award obligations (Note 22(iv))	(369,770)	(424,567)
	(1,245,774)	(1,589,561)

Notes to the financial statements (continued)

22 Retirement benefit obligations (continued)

(iv) Reconciliation of change in liabilities

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

	Funded Retirement Benefit Obligations		Unfunded Retirement Benefit Obligations		Long Service Award Obligations *	
	2021	2020	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January	(2,386,244)	(1,854,537)	(588,473)	(422,830)	(424,567)	(318,096)
Included in income statement						
Current service charge	-	-	(172)	(66)	(50,332)	16,433
Interest cost	(179,245)	(274,784)	(41,944)	(52,902)	(29,970)	(41,104)
Actuarial gain/ (losses) – change in assumptions	-	-	-	-	117,009	(120,176)
Actuarial (losses)/ gain – experience	-	-	-	-	(35,658)	17,106
	(179,245)	(274,784)	(42,116)	(52,968)	1,049	(127,741)
Included in OCI						
Remeasurement (loss)/gain						
Actuarial gain/ (losses) – change in assumptions	394,188	(524,510)	132,086	(193,267)	-	-
Actuarial gain/ (losses) – experience	26,240	(18,969)	(2,883)	40,245	-	-
	420,428	(543,479)	129,203	(153,022)	-	-
Others						
Benefits paid	277,974	286,556	46,673	40,347	39,170	21,270
Transfer to Unilever Tea MSO Nigeria Lt	-	-	-	-	14,578	-
	277,974	286,556	46,673	40,347	53,748	21,270
At 31 December	(1,867,087)	(2,386,244)	(454,713)	(588,473)	(369,770)	(424,567)

* As part of the disposal of the Tea business, Long service award obligations due to employees transferred to Unilever Tea MSO Nigeria Limited was transferred as at 1 October 2021. A valatuion of the obligation was carried out as at 30 Setember 2021, and the total amount of N14.57 million was recognised by Tea business.

Notes to the financial statements (continued)

(v) Reconciliation of change in assets

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

	2021 ₦'000	2020 ₦'000
At January 1	1,809,723	1,889,829
Included in income statement		
Interest income on plan assets	133,123	235,508
Included in OCI		
Remeasurements - actuarial (losses)/gains	(219,076)	(29,058)
Others		
Benefits paid	(277,974)	(286,556)
	(277,974)	(286,556)
At December 31	1,445,796	1,809,723
Less: funded retirement benefit obligations (Note 22(iv))	(1,867,087)	(2,386,244)
Retirement benefit obligation	(421,291)	(576,521)

Notes to the financial statements (continued)

22 **Retirement benefit obligations (continued)**

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

	2021			2020		
	Income Statement		OCI	Income Statement		OCI
	Current service charge* ₦'000	Net interest cost ₦'000	Actuarial losses ₦'000	Current service charge* ₦'000	Net interest cost ₦'000	Actuarial losses ₦'000
Funded retirement benefit obligations	-	179,245	420,428	-	274,784	(543,479)
Plan assets	-	(133,123)	(219,076)	-	(235,508)	(29,058)
Unfunded retirement benefit obligations	172	41,944	129,203	66	52,902	(153,022)
Long service award obligations	50,332	(51,382)	-	(16,433)	144,174	-
	50,504	36,684	330,555	(16,367)	236,352	(725,559)

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

(vii) *Actuarial assupmtions*

The principal actuarial assumptions were as follows:

	Funded Retirement Benefit Obligation		Long Service Award and Unfunded Retirement Benefit Obligation	
	2021	2020	2021	2020
Discount rate	12.8%	8.0%	12.7%/ 13%	7.5%
Inflation rate	12%	11%	12%	11%
Interest income rate	0%	15.5%	-	-
Future salary/pension increases			12%	12%

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

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

Notes to the financial statements (continued)

22 Retirement benefit obligations (continued)

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

	2020 ₦'000	2021 ₦'000
Government Securities:		
FGN Bonds	928,934	1,084,100
Treasury bills	49,558	159,077
State Government Bonds	-	-
	978,492	1,243,177
Fixed deposits/strict calls:		
Uninvested Cash/Money on Call	46,053	78,077
Credit interest	-	29
Fixed deposits	426,611	462,295
Accrued Fees and Expenses	(5,360)	(5,878)
	467,304	534,523
Corporate Bonds	-	32,023
Values	**1,445,796**	**1,809,723**

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

(viii) Sensitivity analysis on liability as at 31 December 2021

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

Notes to the financial statements (continued)

Sensitivity analysis on liability as at 31 December 2021

	Unfunded retirement benefit obligations		Funded Retirement Benefit Obligations	
	₦'000	Impact (%)	₦'000	Impact (%)
Base figures	454,713	-	1,867,087	-
Discount rate (-1%)	484,022	-6%	1,966,310	5%
Discount rate (+1%)	428,612	6%	1,777,439	-5%
Price escalation rate (-1%)	439,326	3%	-	-
Price escalation rate (+1%)	470,934	-4%	-	-
Mortality experience (-1 year)	426,024	6%	1,790,762	-4%
Mortality experience (+1 year)	484,304	-7%	1,942,987	4%

Sensitivity analysis on liability as at 31 December 2020

	Unfunded retirement benefit obligations		Funded Retirement Benefit Obligations	
	₦'000	Impact (%)	₦'000	Impact (%)
Base figures	588,473	-	2,386,244	-
Discount rate (-1%)	639,098	-9%	2,553,978	7%
Discount rate (+1%)	544,778	7%	2,238,464	-6%
Price escalation rate (-1%)	563,981	4%	-	-
Price escalation rate (+1%)	614,639	-4%	-	-
Mortality experience (-1 year)	638,448	-8%	2,328,224	-2%
Mortality experience (+1 year)	541,930	8%	2,443,404	2%

Notes to the financial statements (continued)

	Long Service Award Obligations -2021		Long Service Award Obligations - 2020	
	₦'000	Impact	₦'000	Impact
Base figures	369,770		424,567	
Discount Rate (-1%)	388,197	-5%	453,268	-7%
Discount Rate (+1%)	352,966	5%	398,944	6%
Salary increase rate (-1%)	354,096	4%	400,984	6%
Salary increase rate (+1%)	386,732	-5%	450,505	-6%
Price escalation rate (-1%)	368,185	0%	422,913	0%
Price escalation rate (+1%)	371,404	0%	426,287	0%
Mortality experience (-1 year)	368,967	0%	425,550	0%
Mortality experience (+1 year)	370,485	0%	423,468	0%

Assumptions for sensitivity analysis	**Base rates 2021**	**Base rates 2020**
Discount rate (funded retirement benefit obligation)	12.8%	8.0%
Discount rate (unfunded obligation)	13.0%	7.5%
Salary increase rate	12%	12%
Product/benefit inflation rate	5.5%	6%

The base figures used for the sensitivity analysis on liability is the funded retirement benefit obligation as at 31 December 2021 while the base figure for sensitivity analysis on service and interest cost is the projected net period benefit cost for 2021.

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

23 Leases

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

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

i *Right-of-use assets*

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

	2021 ₦'000	2020 ₦'000
Balance as at 1 January	292,777	812,923
Additions to right of use asset	-	68,627
Derecognition of right of use asset	-	(231,693)
Depreciation for the year	(250,273)	(357,080)
Balance as at 31 December	42,504	292,777

Notes to the financial statements (continued)

	2021	2020
ii *Amounts recognised in profit or loss*	**₦'000**	**₦'000**
Leases under IFRS 16		
Interest on lease liabilities (Note (29(i))	41,824	84,534
Expense relating to short term leases and low value items (Note 5)	119,124	69,185

iii *Amounts recognised in statement of cash flows*

	2021 ₦'000	2020 ₦'000
Payment of lease principal	239,428	244,489
Payment of lease interest	41,824	84,534
	281,252	**329,023**

iv *Extension options*

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

24 Cash flows from operating activities

	2021 ₦'000	2020 ₦'000
Profit/ (loss) before tax	1,878,683	(4,537,053)
Profit/ (loss) before tax - discontinued operations (Note 31 (a))	3,114,947	(205,534)
Adjustment for non-cash items:		
- Depreciation of property plant and equipment (Note 14(i))	3,535,385	5,135,811
- Loss on disposal of property, plant and equipment	350,596	217,851
- Amortisation of intangible assets (Note 15)	385	222,081
- Net impairment charge on receivables (Note 17(vi))	829,576	3,770,859
- Gain on sale of of discontinued operations	(2,761,682)	-
- Interest income (Note 10)	(590,607)	(209,121)
- Interest expense (Note 11)	26,162	29,186
- Interest on lease liabilities (Note (29(i))	41,824	-
- Net charge in retirement benefit obligations	88,238	236,352
- Long service award obligations (Note 22(vi))	(1,049)	(16,367)
- Net derecognition of lease liability (Note (29(i))	-	(221,803)
- Minimum tax (Note 12(iv))	205,540	156,311
	6,717,997	4,578,574
Changes in working capital:		
- (Increase)/ decrease in trade and other receivables	2,509,207	7,402,701
- Increase in inventories	(1,296,904)	(1,790,132)
- Increase/ (decrease) in trade and other payables (Note 20)	12,369,081	(7,728,511)
Cash flows generated from operating activities	20,299,380	2,462,633

Notes to the financial statements (continued)

25 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:

	2021 Fair value hierarchy	2021 Carrying amount ₦'000	2021 Fair value ₦'000	2020 Fair value hierarchy	2020 Carrying amount ₦'000	2020 Fair value ₦'000
Trade and related party receivables (Note 17(i))	Level 2	12,430,521	12,430,521	Level 2	5,735,759	5,735,759
Cash and cash equivalent (Note 18)		55,697,537	55,697,537		37,100,827	37,100,827
		68,128,058	68,128,058		42,836,586	42,836,586
Trade and other payables (Note 20) *		37,782,341	37,782,341		26,579,099	26,579,099
Loans and borrowing (Note 29)		-	-		239,428	239,428
		37,782,341	37,782,341		26,818,527	26,818,527

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

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

*This analysis is required only for financial instruments. Accordingly, trade and other payables excludes statutory liabilities and refund liabilities.

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

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

Notes to the financial statements (continued)

25 Fair values, including valuation hierarchy and assumptions (continued)

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

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

26 Financial risk management

26.1 Financial risk factors

(a) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk - Transactions in foreign currency

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

During the year, the Company explored foreign currency official instruments available in the market to settle obligations denominated in foreign currencies and to manage foreign currency volatility. These include: Central Bank of Nigeria (CBN) forwards and CBN interventions in the interbank market. The Company also utilised the foreign trade loan facilities availed by banks to settle its foreign liabilities.

As a result, the Company's transactions were settled at a range of rates during the year. As at year end the assets and liabilities were translated using the NAFEX rate which represented the rate at which the future cash flows represented by the balances could have been settled if those cash flows had occurred at year end.

At 31 December,exposure to currency risk as reported to the management of the Company is as follows;

2021

In thousands of	Euro	GBP	USD	ZAR
Trade and other receivables	8,640	23	774	-
Cash and Cash equivalent	14,227	5	6,864	
Trade and other payables	(7,458)	(860)	(13,920)	(523)
Net exposure	**15,409**	**(833)**	**(6,282)**	**(523)**

Notes to the financial statements (continued)

26 Financial risk management (continued)

26.1 Financial risk factors (continued)

(a) Market risk (continued)

2020

In thousands of	Euro	GBP	USD	ZAR
Trade and other receivables	12,940	-	-	-
Cash and Cash equivalent	14,934	5	15,389	
Trade and other payables	(18,258)	(123)	(2,299)	(1,810)
Net exposure	**9,616**	**(118)**	**13,090**	**(1,810)**

The following significant exchange rates have been applied.

	Average rate		Year-end spot rate	
	2021	**2020**	**2021**	**2020**
EURO	464	469	480	491
GBP	552	422	571	546
USD	409	382	424	400
ZAR	26	26	27	27

Sensitivity analysis

At 31 December 2021, if the Naira had weakened/strengthened by 8%* against key currencies (Euro, USD, 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 ₦0.33 billion higher or lower (2020: ₦1.52 billion).

*8% represents the 5 year average change in the conversion rate of key currencies to Naira.

(ii) Cash flow and fair value interest rate risk

Unilever's interest rate risk arises from bank overdrafts and import facilities. Overdrafts issued at variable rates expose Unilever to cash flow interest rate risk.

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

The average interest rate on local short-term borrowings in 2021 was 14% (2020: 13%)

Notes to the financial statements (continued)

26 Financial risk management (continued)

26.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

	2021 ₦'000	2020 ₦'000
Impairment loss on trade and intercompany receivables (Note 17(vi))	829,576	3,770,859

Trade receivables

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

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

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

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

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

Expected credit loss assessment for customers

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

Notes to the financial statements (continued)

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

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

	2021	2020
	₦'000	₦'000
Balance at 1 January	2,074,464	1,389,939
Charged to income statement (17 (iii))	72,850	684,525
Bad debt written off (Note 17(iii))	(863,245)	-
Balance at 31 December	1,284,069	2,074,464

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

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

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

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

Lifetime probabilities of default are determined based on available data which reflects the loss rate of the related party.

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

Notes to the financial statements (continued)

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

	2021				2020			
	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**	**Credit impaired**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
		₦'000	**₦'000**			**₦'000**	**₦'000**	
Current (not past due)	2.1%	4,479,470	(93,992)	No	2.8%	2,442,600	(69,574)	No
Less than 3 months past due	3.4%	49,861	(1,674)	No	4.0%	111,395	(4,511)	No
3 - 6 months past due	22.9%	1,508	(346)	No	77.2%	103,050	(79,505)	No
More than 6 months past due	100%	629,781	(629,781)	Yes	100%	1,371,575	(1,371,576)	Yes
		5,160,620	**(725,793)**			**4,028,620**	**(1,525,166)**	

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

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

	2021				2020			
	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**	**Credit impaired**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
		₦'000	**₦'000**			**₦'000**	**₦'000**	
Current (not past due)	0%	-	-	No	1.5%	218,718	(3,223)	No
Less than 3 months past due	0.0%	50,371	(2,100)	No	-	-	-	No
3 - 6 months past due	0.0%	2,763	(253)	No	-	-	-	No
More than 6 months past due	100%	555,925	(555,925)	Yes	100%	546,074	(546,074)	Yes
		609,059	**(558,278)**			**764,792**	**(549,297)**	

The following table provides information about the exposure to credit risk and ECLs for intercompany receivables as at 31 December.

	2021			
	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
		₦'000	**₦'000**	
Current (not past due)	5.1%	9,053,697	(464,001)	No
Less than 3 months past due	44.8%	240,113	(107,603)	No
3 - 6 months past due	58.1%	85,444	(49,619)	No
More than 6 months past due	94%	3,688,459	(3,482,012)	Yes
		13,067,713	**(4,103,235)**	

Notes to the financial statements (continued)

In prior year, the Company applied a general approach in computing the expected credit loss (ECL) for intercompany receivables, based on limited historical information on default payments.
In current year,the Company applied the simplified approach in computing the expected credit loss (ECL) for intercompany receivables. Loss rates are based on actual historical credit loss trend over a two year period.

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

	2021	2020
	₦'000	₦'000
Balance at 1 January	3,336,964	646,933
Impairment loss	766,271	2,690,031
Balance at 31 December	**4,103,235**	**3,336,964**

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements. The Company has disclosed a contractual maturity analysis for its financial liabilities, which is the minimum disclosure under IFRS 7 in respect of liquidity risk. Because IFRS 7 does not mandate the number of time bands to be used in the analysis, the Company has applied judgement to determine an appropriate number of time bands.

2021	Carrying amount	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables*	30,687,720	30,687,720	-	-	-	-	30,687,720
Trade finance facility	7,094,621	-	7,094,621				7,094,621

2020	Carrying amount	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables*	27,422,358	27,422,358	-	-	-	-	27,422,358
Loans and borrowings	239,428	-	239,428	-	-	-	239,428

	At amortised cost 2021	At amortised cost 2020
	₦'000	₦'000
Liabilities as per statement of financial position		
Trade and other payables (Note 20)*	30,687,720	27,422,358
Trade finance facility (Note (20i))	7,094,621	-
Loans and borrowings (Note 29)	-	239,428
	37,782,341	27,661,786

*This analysis is required only for financial instruments. Accordingly, trade and other payables excludes statutory liabilities and refund liabilities.

Notes to the financial statements (continued)

Cash and cash equivalents

The Company held cash and cash equivalents of ₦55.7bn as at 31 December 2021 (2020: ₦37.1bn). The cash and cash equivalents are held with banks and financial institutions. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects short term maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Employee receivables

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

(c) *Liquidity risk*

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

Cash flow from operating activities provides the funds to service the financing of financial liabilities on a day-to-day basis. Unilever seeks to manage its liquidity requirements by maintaining relationships with different financial institutions through short-term and long-term credit facilities.

Cash flow forecasting is performed in Unilever. Unilever's finance team monitors rolling forecasts of Unilever’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that Unilever does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration Unilever’s debt financing plans, covenant compliance and compliance with gearing ratios.

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

At the reporting date, Unilever held cash in bank of ₦40.6 billion (2020: ₦30.2 billion). Unilever also had Nil overdraft (2020: Nil) and undrawn facilities of ₦13.6 billion (2020: ₦20.2 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.

Notes to the financial statements (continued)

26 Financial risk management (continued)

26.1 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 2021 and 2020 were as follows:

	2021 ₦'000	2020 ₦'000
Total liabilities	42,526,867	29,388,418
Total assets	108,288,535	91,517,538
Gearing ratio (%)	39%	32%

27 Segment reporting

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

Foods – including sales of tea and savoury products

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

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

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

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

2021	Food Products ₦'000	Home and Personal Care ₦'000	Total ₦'000
Revenue (Note 4)	31,012,911	39,510,783	70,523,694
Depreciation and amortisation	1,554,860	1,980,909	3,535,770
Segmental operating profit	496,648	632,735	1,129,383
Finance income (Note 10)	451,717	575,493	1,027,210
Finance cost (Note 11)	(42,103)	(53,639)	(95,742)
Profit before taxation	906,263	1,154,589	2,060,852

Notes to the financial statements (continued)

27 Segment reporting (continued)

2021	Food Products ₦'000	Home and Personal Care ₦'000	Total ₦'000
Property, plant and equipment (Note 14)	9,840,009	12,536,278	22,376,287
Inventories (Note 16)	6,577,071	8,379,260	14,956,331
	16,417,080	20,915,538	37,332,618
Other non-current assets			3,467
Cash and bank balances (Note 18)			55,697,537
Other current assets			15,254,913
Trade and other payables (Note 20)			(1,956,733)
Income tax (Note 12(iii))			(478,615)
Loans and borrowings (Note 29)			-
Deferred tax liabilities (Note 21)			(1,063,404)
Retirement benefit obligations (Note 22(iii))			(454,713)
Retirement benefit deficit (Note 22(iii))			(421,291)
Long service obligations (Note 22(iii))			(369,770)
Net assets			103,544,008
Capital expenditure	713,480	908,982	1,622,462

2020	Food Products * ₦'000	Home and Personal Care * ₦'000	Total ₦'000
Revenue (Note 4)	34,109,914	27,849,764	61,959,678
Depreciation and amortisation	2,949,616	2,408,276	5,357,892
Segmental operating loss	(3,341,743)	(2,728,437)	(6,070,180)
Finance income (Note 10)	1,009,637	824,339	1,833,976
Finance cost (Note 11)	(192,721)	(157,351)	(350,072)
Profit before taxation	(2,524,827)	(2,061,449)	(4,586,276)

* Includes continued and discontinued operations

2020	Food Products ₦'000	Home and Personal Care ₦'000	Total ₦'000
Property, plant and equipment (Note 14)	14,105,834	13,264,193	27,370,607
Inventories (Note 16)	7,519,760	6,139,667	13,659,427
	21,625,594	19,403,860	41,030,034
Other non-current assets			3,852
Cash and bank balances (Note 18)			37,100,827
Other current assets			13,219,724
Trade and other payables (Note 20)			(27,422,359)
Income tax (Note 12)			(137,070)
Loans and borrowings (Note 29)			(239,428)
Deferred tax assets (Note 21)			163,101
Retirement benefit obligations (Note 22(iii))			(588,473)
Retirement benefit deficit (Note 22(iii))			(576,521)
Long service obligations (Note 22(iii))			(424,567)
Net assets			62,129,120
Capital expenditure	576,144	470,405	1,046,549

Notes to the financial statements (continued)

28 Related party transactions

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

The following transactions were carried out with related parties:

(i) Trade mark and technology licences

Unilever Plc, United Kingdom has given Unilever Nigeria Plc exclusive right to the know-how, manufacture, distribution and marketing of its international brands namely: Omo, Sunlight, Close-Up, Pepsodent, Vaseline, Lux, Knorr, Royco, Lipton, and Lifebuoy in Nigeria. In consideration of this, a royalty of 2% of net sales value and 0.5% of net sales value is payable by Unilever Nigeria Plc to Unilever Plc, United Kingdom for Technology and Trade Mark licences respectively. The royalty charged under these agreements for the year is ₦1,869 million (2020: ₦1,318 million). These agreements are covered by valid NOTAP approval.

(ii) Central support and management services

Unilever Nigeria Plc has a Management Services Agreement with Unilever Plc, United Kingdom for the provision of corporate strategic direction, and expert advice/support on legal, tax, finance, human resources and information technology matters.
Effective 1 June 2018, after an internal arrangement, the service provider was changed from Unilever Plc to Unilever Europe Business Centre B.V.
In consideration of this agreement, a fee of 2% of profit before tax is payable by Unilever Nigeria Plc to Unilever Plc/Unilever Europe Business Center B.V. The fee charged under this agreement in 2021 is ₦125 million. (2020: Nil).
This agreement is covered by valid NOTAP approval.

(iii) Transitional Service Agreement

During the year, Unilever Nigeria Plc concluded the sale of the tea business as disclosed in Note 31 in the financial statements.

Subsequent to the disposal, the Company entered into a Transition Service Agreement ("Agreement") with Unilever Tea MSO Nigeria Limited to assist in the manufacture and sale of tea products for a fee (the "TSA fee"). All proceeds from the sale are remitted to Unilever Tea MSO Nigeria Limited and all costs incurred are charged back to same.

The Agreement will be in place for a period of 15 months during which time Unilever will provide production and sales support. Total TSA fees earned under this agreement for the year amounted to N37.35
Transfer pricing implications of the disposal of the tea business and the fees charged for the buy-sell services provided to Unilever Tea MSO Nigeria Limited, a related company, have been considered.

The amount payable as at year end relating to the trade mark, technology licences and central support and management fees was

(iv) Sale of finished goods to related parties

	2021 ₦'000	2020 ₦'000
Unilever Cote D'Ivoire	655,274	1,163,152
Unilever Ghana Ltd	101,190	157,679
	756,464	1,320,831

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

	2021 ₦'000	2020 ₦'000
Unilever Gulf Free Zone Establishment	-	11,526
	-	11,526

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

	2021 ₦'000	2020 ₦'000
Receivables from related parties:		
Unilever Cote D'Ivoire	2,805,030	4,024,080
Unilever Ghana Limited	1,872,003	2,320,096
Unilever Tea MSO Nigeria Limited	8,251,230	-
Other related parties	139,039	9,599
Gross receivables	13,067,302	6,353,775
Less impairment	(4,103,235)	(3,336,964)
Amount due from related companies (Note 17 (i))	8,964,067	3,016,811

Notes to the financial statements (continued)

	2021 ₦'000	2020 ₦'000
Payables to related parties:		
Unilever UK Plc	4,606,027	3,073,309
Unilever Asia Private	189,837	1,409,948
Unilever Cote D'Ivoire	435,936	263,274
Unilever Ghana Limited	152,604	71,424.25
Unilever NV	-	100,383
Other related parties (settlement of liabilities on behalf of the Company)	131,517	130,036
Amount due to related companies per note 20	5,515,921	5,048,375
Unilever Overseas Holding	2,796,534	2,796,534
Total amount due to related parties	8,312,455	7,844,909

Aside compensation paid to key management personnel which has been disclosed in Note 7, there were no other transactions between the Company and its key management personnel during the year.

(vii) Related party relationship

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

Related Party	**Nature of relationship**
Unilever UK Plc	Ultimate parent and controlling party
Unilever Cote D'Ivoire	Fellow subsidiary
Unilever Ghana Limited	Fellow subsidiary
Unilever Asia Private Limited	Fellow subsidiary
Unilever NV	Immediate Parent
Unilever South Africa (Pty) Limited	Fellow subsidiary

29 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.

	2021 ₦'000	2020 ₦'000
Non-current liability		
Lease liabilities (Note 29(i))	-	-
Current liability		
Lease liabilities (Note 29(i))	-	239,428
Total loans and borrowings	-	239,428

The movement on the facility is as follows:	2021 ₦'000	2020 ₦'000
At 1 January	-	-
Repayments	-	-
At 31 December	-	-

Notes to the financial statements (continued)

(i) Lease liabilities

Lease liabilities relate to the present value of future lease payment on the Company's rented properties. The movement in the lease liability during the year is as follows:

	2021	2020
	₦'000	₦'000
Opening balance	239,428	705,720
Lease liability recognised	-	12,514
Interest on lease liability	41,824	84,534
Lease payment	(239,428)	(329,023)
Derecognition of lease liability	-	(234,317)
Closing balance	41,824	239,428

30 Share capital and share premium

	Number of ordinary shares	Ordinary shares	Share premium
	₦'000	₦'000	₦'000
Balance as at 31 December 2020 and 31 December 2021	5,745,005	2,872,503	56,812,810

The authorised number of ordinary shares is 10,000,000,000 (2020: 10,000,000,000) with a par value of 50kobo per share. Of these, 5,745,005,417 (2020: 5,745,005,417) ordinary shares have been issued and fully paid.

31 Discontinued Operations

Effective 1 October 2021, the Company disposed of its Tea business to Unilever Tea MSO Nigeria Limited, a related party within the Unilever Group, based on an Asset Sale Agreement entered into by both parties.

The statement of profit or loss and OCI has been presented to show the discontinued operation separately from continuing operations.

a **Results of discontinued operation**

Income Statement

	2021	2020
	₦'000	₦'000
Turnover	9,049,237	9,748,411
Cost of sales	(6,980,511)	(8,022,825)
Gross Profit	2,068,726	1,725,586
Selling and Distribution expenses	(290,651)	(397,744)
Marketing and administrative expenses	(1,473,781)	(1,742,474)
Other income (Gain on sale)	2,761,682	-
Operating profit	3,065,976	(414,631)
Net finance inome	84,632	288,548
Finance cost	(12,285)	(55,079)
Profit/ (loss) before minimum taxation	3,138,322	(181,162)
Minimum tax	(23,375)	(24,371)
Profit/ (loss) before taxation	3,114,947	(205,533)
Taxation	(394,039)	(2,497)
Profit/ (loss) for the year from discontinued operations	2,720,908	(208,030)

The numbers reflect the results of the Tea business from the beginning of 2021 to its discontinuation in October 2021. The comparative figure represents the full year results of the tea business in 2020.

The profit from the discontinued operation is attributable entirely to the owners of the Company.

Notes to the financial statements (continued)

b	**Effect of disposal on the financial position of the company**	**2021**
		₦'000
	Property, plant and equipment	2,685,554
	Long service award obligations	(14,578)
	Net Assets	**2,670,976**
	Consideration (Included in Unilever Tea MSO Nigeria Limited receivables)	5,432,658
	Gain on disposal	**(2,761,682)**

32 Contingencies

The Company is involved in pending litigation and claims arising in the ordinary course of business. Estimated contingent liability as at 31 December 2021 is ₦25.4 million (2020: ₦56million). In the opinion of the directors, the Company will not suffer any material loss arising from these claims. Thus no provision has been recognized in the financial statements.

33 Changes in presentation and classification of comparatives

On 1 October 2021, Unilever Nigeria Plc concluded the sale of its Global Tea Business. The comparative statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations. (Note 31)

i) Statements of profit or loss

	As reported	**Reclassification / Presentation**	**comparative re-presentation**
For the year ended 31 December	**2020**		**2020**
	₦'000	**₦'000**	**₦'000**
Revenue	61,959,678	9,748,411	52,211,267
Cost of sales	(49,159,670)	(8,022,825)	(41,136,845)
Gross profit	12,800,008	1,725,586	11,074,422
Selling and distribution expenses	(2,789,732)	(397,744)	(2,391,988)
Marketing and administrative expenses	(12,375,610)	(1,742,474)	(10,633,136)
Impairment loss on trade and intercompany receivables	(3,770,859)	-	(3,770,859)
Other income	66,013	-	66,013
Operating loss	(6,070,180)	(414,631)	(5,655,548)
Finance income	1,833,976	288,548	1,545,428
Finance cost	(350,072)	(55,080)	(294,993)
Net finance income	1,483,904	233,469	1,250,435
Loss before minimum taxation	(4,586,276)	(181,163)	(4,405,113)
Minimum tax	(156,311)	(24,371)	(131,940)
Loss before taxation	(4,742,587)	(205,534)	(4,537,053)
Taxation	776,666	(2,497)	779,163
Loss from continuing operations	(3,965,921)	(208,031)	(3,757,890)
Discontinued operations			
Loss from discontinued operations	-	208,031	(208,031)
Loss for the year	(3,965,921)	-	(3,965,921)

34 Events after the reporting date

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

Other national disclosures

Value added statement

	2021 ₦'000	%	2020 ₦'000	%
Revenue - continuing operations (Note 4)	70,523,695		52,211,267	
Revenue - discontinued operations	9,049,237		9,748,411	
Bought in materials and services:				
- local	(23,409,309)		(19,214,701)	
- imported	(39,368,064)		(33,765,137)	
	16,795,559		8,979,840	
Other income	37,352		66,013	
Interest income (Note 10)	1,027,210		1,833,976	
Value added	17,860,121	100	10,879,829	100
Applied as follows:				
To Government:				
Income taxes (Note 12(iv)) *	1,584,456	9	(776,666)	(7)
To Employees:				
Employee costs (Note 8)	9,222,695	51	9,914,451	91
To Providers of Finance:				
Finance costs (Note 11, 32(a))	108,027	1	350,072	3
Retained in the Business:				
Depreciation and amortisation	3,535,770	20	5,357,892	49
To deplete reserves	3,409,174	19	(3,965,921)	(36)
	17,860,121	100	10,879,829	100

* includes deferred taxes for the period
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

	2021 ₦'000	2020 N'000	2019 ₦'000	2018 * ₦'000	2017 ₦'000
Financial performance					
Revenue (Note 4)	70,523,695	52,211,267	60,486,835	95,244,404	90,771,306
Gross profit	20,361,910	11,074,422	4,749,825	28,788,122	28,943,264
Operating expenses	(19,269,879)	(16,795,983)	(16,599,343)	(19,653,194)	(15,975,515)
Other income/ (expense)	37,352	66,013	86,299	2,207,250	(18,026)
Net finance cost	931,468	1,250,435	2,008,946	3,510,544	(1,742,511)
Minimum tax expense (Note12(iv))	(182,169)	(131,940)	(317,670)	-	-
Profit/ (loss) before taxation	1,878,683	(4,537,052)	(10,071,943)	14,852,722	11,207,212
Income tax credit/(expenses) (Note12(i))	(1,190,417)	779,163	2,652,269	(4,300,582)	(3,757,128)
Profit/ (loss) after Tax	688,266	(3,757,889)	(7,419,674)	10,552,140	7,450,084
Profit/ (loss) from discontinued operations	2,720,908	(208,031)			
Other comprehensive income	223,374	(493,380)	(224,011)	120,268	(680,171)
Total comprehensive income	3,632,548	(4,459,301)	(7,643,685)	10,672,408	6,769,913
Earnings per share					
(Basic and diluted) - Naira	0.59	(0.69)	(1.29)	1.84	1.78
Capital employed					
Share capital (Note 30)	2,872,503	2,872,503	2,872,503	2,872,503	2,872,503
Share premium (Note 30)	56,812,810	56,812,810	56,812,810	56,812,810	56,812,810
Retained earnings	6,076,355	2,443,807	6,843,037	23,104,230	16,223,062
Shareholders' funds	65,761,668	62,129,120	66,528,350	82,789,543	75,908,375
Employment of capital					
Non-current assets	22,379,754	27,537,560	32,218,645	30,533,130	31,125,625
Net current assets	45,691,092	36,181,121	36,650,790	58,143,190	53,263,433
Non-current liabilities	(2,309,178)	(1,589,561)	(2,341,085)	(5,886,777)	(8,480,683)
	65,761,668	62,129,120	66,528,350	82,789,543	75,908,375
Net assets per share (Naira)	11.45	10.81	11.58	14.41	18.17

* Includes continued and discontinued operations