Fan Milk Plc
Plot 1c, Eleyele Industrial Layout
Ibadan,Nigeria
Tel:+234 (2) 2412032
Fax:+234 (0) 803 404 0727
Website:www.fanmilk-nig.com

# FAN MILK PLC RC 2761


# Annual Report 2017

# Fan Milk Plc.
# Annual Report and Financial Statements For the Year Ended 31st December 2017.

# Mission Statement

To enhance the wellbeing for as many people as possible by offering nourishing, refreshing and enjoyable products and an inclusive business model.

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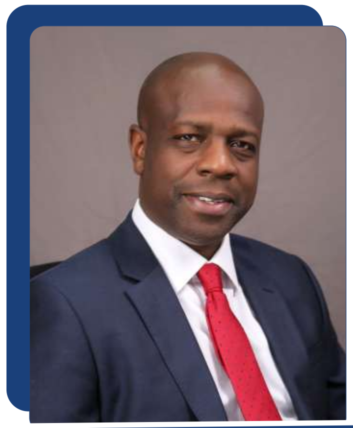
# Directors, Professional Advisers and Regsitered Office

| | |
|---|---|
| Company Registration Number | RC. 2761 |
| Chairman<br>Managing Director<br>Directors | Mr. Kodjo Aziagbe (Togolese)<br>Mr. Herve Barrere (French) appointed on 8 June 2017<br>Mr. Edouard Spicher (Swiss)<br>Dr Babatunde A. M Ajibade (SAN)<br>Mr. Olayinka. O. Akinkugbe<br>Mr. Jacob Kholi (Ghanian)<br>Mr. Carlman Moyo (South African)<br>Mr. Regis Massuyeau (French) appointed on 8 June 2017<br>Mr. Hans Pedersen (Danish) resigned on 31 May 2017<br>Mr. Thomas Rondot (French) resigned on 16 March 2017 |
| Company Secretary and Registered Ofice | Olakunle Olusanya<br><br>Plot 1C, Eleyele, Ibadan.<br>Tel: 02-2411021, 2412032, 02-2413264, 2413265 |
| Independent auditor | PricewaterhouseCoopers<br>(Chartered Accountants)<br>Landmark Towers<br>5B Water Corporation Road<br>Victoria Island<br>Lagos |
| Bankers | First Bank of Nigeria Plc<br>Guaranty Trust Bank Plc<br>Skye Bank Plc<br>Ecobank Nigeria Plc<br>Stanbic IBTC Bank Plc<br>Zenith Bank Plc<br>Access Bank Plc<br>United Bank for Africa Plc |
| Registrars | GTL Registrars Limited<br>274, Murtala Mohammed Way<br>Alagomeji Yaba Lagos<br>Tel: 01-2793161-2, 8131925<br>Email: info@gtlregistrars.com |

# BOARD OF DIRECTORS & COMPANY SECRETARY

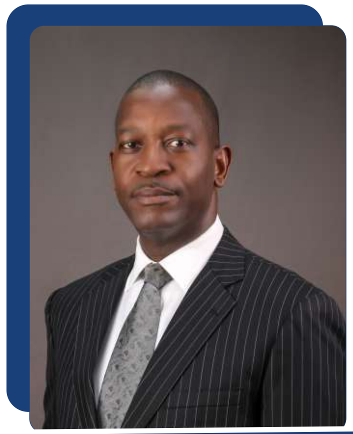

Mr. Kodjo Aziagbe
**Chairman**


Mr. Hérve Barrere
**Managing Director**


Mr. Carlman Moyo
**Member**


Mr. Jacob Kholi
**Member**


Mr. Régis Massuyeau
**Member**


Dr Babatunde A. M Ajibade (SAN)
**Member**


Mr. Olayinka. O. Akinkugbe
**Member**


Mr. Edouard Spicher
**Member**


Mr. Olakunle Olusanya
**Company Secretary & Legal Adviser**

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting (AGM) of the Members of Fan Milk Plc will be held at Moremi Meeting Room, Sheraton Hotel and Towers, 30 Mobolaji Bank Anthony Way, Ikeja Lagos on Tuesday 26 June, 2018 at 12.00 noon or so soon thereafter, to transact the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors, the Independent Auditors and the Audit Committee.

2. To elect/re-elect retiring Directors.

3. To authorize Directors to fix the remuneration of the Auditors.

4. To elect Members of the Audit Committee.

SPECIAL BUSINESS

1. To fix the remuneration of the Directors.

NOTES:

VOTING
On a show of hands, every member present in person or by proxy shall have one vote, and on a poll, every member shall have one vote for each share of which he is the holder.

PROXY
A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. A form of proxy is enclosed and if it is to be valid for the purposes of the Meeting, it must be completed, duly stamped at the Stamp Duties Office and deposited at the office at the Office of the Registrars, GTL Registrars Ltd. 247 Murtala Muhammed Way, Alagomeji, Yaba Lagos, not later than 48 hours before the time of the Meeting.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members and Transfer Book will be closed from Monday 11th June, 2018 to Friday 15th June, 2018, both days inclusive for the purpose of updating the Register of Members.

AUDIT COMMITTEE
In accordance with Section 359(5) of the Companies and Allied Matters Act [Cap C20, Laws of the Federation of Nigeria, 2004], a nomination (in writing) by any member of a shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the date of the Annual General Meeting.

Shareholders are kindly requested to note the provisions of Rule 2(C) of the recent Financial Reporting Council of Nigeria on the qualification for Chairmanship of the Audit Committee. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

By Order of the Board

OLAKUNLE OLUSANYA
COMPANY SECRETARY & LEGAL ADVISER
FRC/2015/NBA/00000001539

Registered Office - Plot 1C Eleyele Industrial Layout, Ibadan, Oyo State

Dated 16th April 2018

# FINANCIAL HIGHLIGHTS

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| Revenue | 11,752,265 | 10,959,040 |
| Loss before taxation | (1,115,761) | (506,027) |
| Income tax | 234,606 | 104,527 |
| Loss for the year | (881,155) | (401,499) |
| Total comprehensive loss | (863,201) | (331,994) |
| Total equity | 442,466 | 1,264,915 |

# DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

**Incorporation and address**

Fan Milk Plc was incorporated as a Limited Liability Company on 4 November 1961 and was converted on 5 October 1995 to a Public Limited Company. The Company has a factory located in Eleyele Industrial Layout, Ibadan and is engaged in the production and distribution of dairy, juice and food products. Fan Milk Plc is a subsidiary of Danish Dairy Services (A/S), Denmark (Fan Milk International). 99.3% of the share capital of the company is owned by Danish Dairy Services A/S Denmark and 0.7% owned by Nigerian individuals and corporate investors.

**Principal activities and business review**

The principal activities of the Company continue to be production and distribution of dairy, juice and food products.

**Results for the year**

The following is the summary of the operating results:

| | 31 December 2017 N '000 | 31 December 2016 N '000 |
|---|---|---|
| Revenue | 11,752,265 | 10,959,040 |
| Loss before taxation | (1,115,761) | (506,027) |
| Income tax | 234,606 | 104,527 |
| Loss for the year | (881,155) | (401,499) |
| Total comprehensive loss for the year | (863,201) | (331,994) |
| Total equity | 442,466 | 1,264,915 |

**Directors**

The directors as of the date of this report and those who held office during the year are as follows:

| | |
|---|---|
| Mr. Kodjo Aziagbe (Togolese) | - Chairman |
| Mr. Herve Barrere (French) | - appointed on 8 June 2017 as Managing Director |
| Mr. Hans Pedersen (Danish) | - resigned on 31 May 2017 (Former Managing Director) |
| Mr. Olayinka. O. Akinkugbe | |
| Dr. Babatunde A.M. Ajibade, SAN | |
| Mr. Carlman Moyo (South African) | |
| Mr. Jacob Kholi (Ghanian) | |
| Mr.Edouard Spicher (Swiss) | |
| Mr. Thomas Rondot (French) | - resigned on 16 March 2017 |
| Mr. Regis Massuyeau (French) | - appointed on 8 June 2017 |

- Mr. Kodjo Aziagbe

# CHAIRMAN'S STATEMENT

Distinguished Fellow Shareholders, My colleagues on the Board, distinguished ladies and gentlemen, it gives me great pleasure to welcome you all to the 53rd Annual General Meeting (AGM) of our great Company, Fan Milk Plc.

It is my honour to present to you the financial statements and reports of the financial year ended 31st December 2017 together with a review of the performance of our Company during the course of the financial year 2017. I will start by highlighting some of the key factors that characterised 2017 operating environment particularly those which impacted on our business and performance during the year. I will also touch briefly on our expectations for the current year 2018.

## Global Economic Environment

A perspective view of 2017 showed an accelerated growth globally with most economies picking up in stock markets. The economic fundamentals which led the global economy posting positive growth during this period were as a result of improvement in industrial activities and investments across advanced economies. China and the United States delivered stronger than expected growth rates eventhough the recent trade disputes between the two countries could undermine their enviable growth trajectories.

Meanwhile, growth appeared to be weakening in the Eurozone, with economic sentiment falling during the year and industrial production declining in the first two months of year 2017. In United Kingdom (UK), the economy declined sharply amid concerns about Brexit. Despite the approval in March 2017 of a set of guidelines for the transition period following UK's exit from the European Union, some hurdles, such as the Irish border and the country's degree of access to the EU market, still have to be cleared in order to ensure a smooth breakaway.

China's resilient economic growth, a strong global trade cycle and improving dynamics in India are supporting economic activity in the Asia region excluding Japan. The Eastern Europe region, continued to benefit from the on going economic recovery in Russia, with solid growth witnessed among some key regional economies such as Romania and Turkey, and resilient dynamics in the European Union.

While the economic outlook in Latin America appeared to be more stable in recent months, political uncertainty in some countries continues to dent the region's growth projections. In the Middle East and North Africa and Sub- Saharan Africa regions geopolitical risks and economic imbalances persist, but higher commodity prices are shoring up the outlooks.

## Nigerian Economic Environment

The tough 2016 macro-economic environment which culminated in the country going into a period of recession, continued into the first half of 2017. In the later part of the year however, there was a positive upturn in the economy with a marginal growth of 1.4% in the third quarter, signalling an exit from recession after five consecutive quarters of contractions. The turnaround thus presented a positive outlook for the economy and a boost for investors' confidence. Improvement in crude oil price and production output were major contributors to the recovery. Other factors were the improvement in liquidity in the foreign exchange market and the commitment of the government to turnaround the economy.

The inflation rate had risen significantly with persistent depletion of the country's external reserve seemed irreversible. The economy contracted year on year by 0.91% in Quarter 1, 2017. This however changed in Quarter 2 of the year as major economic indicators started to look positive. The Nation's Gross Domestic Product (GDP) grew by 0.7% (year on year) in real terms indicating the emergence of the economy from recession after five consecutive quarters of contraction since Quarter 1, 2016.

The Government, in a bid to improve the business environment came up with an action plan on the ease of doing business initiatives. The National Bureau of Statistics reported that $12.2 billion of foreign (capital) investment came into the country in 2017, an increase of 138% over the $5.4 billion in 2016. The annual GDP growth for 2017 was a positive 0.8% compared to the contraction of -1.58% in 2016. During the year in perspective, lower food prices, affordable healthcare, cost of transportation, good roads, constant power supply and security of lives and property amongst others did not improve with the unemployment rate becoming high during the year and the challenge of workers in the public sector being paid as and when due remained.

Despite the actions taken in 2016 to liberalise the downstream sector of the petroleum industry which led to an increase of about 70% in the pump price of petrol, the issue of constant supply and availability of the product in some parts of the country remained. For businesses in general and manufacturing in particular, 2017 was a mixed bag. Access to foreign exchange improved marginally while exchange rates depreciated further by 20%. The actions of the Central Bank of Nigeria including the introduction of the Investors and Exporters Window, led to the improvement in liquidity which enhanced the capability to import raw materials, boosted capacity utilisation and helped in the payment of financial commitments to foreign trade partners.

Also during the year the increased lending rates, dearth of social infrastructures including power generation and transmission with power being the major cost of manufacturing, deplorable roads, multiple taxation and low purchasing power leading to high cost of doing business continued to affect business during the year under review.

In summary, the dismal economic performance of the year driven by low government earnings dearth of foreign exchange and multiple monetary policies to manage the forex crunch among other factors increased the cost of operation during the year thereby adversely affecting the Company's performance.

**Fan Milk's Performance**

Distinguished shareholders, the challenging economic situation put a huge amount of pressure on business performance but the Board and Management of your Company responded with new strategies on how best to reposition the Company for success in the near future and for the longer term. Our results in the year under review shows that the Company's turnover grew by 7.2% from N10.96 billion in 2016 to N11.75 billion in the year under review. However, results from operations decreased by 121% from N761 million profit to N159 million loss while Loss before Tax increased from N445 million to N1.12 billion.

The improvement seen in revenue performance is mainly due to our investment in sales assets to help improve distribution drive. We also carried out product pack size optimisation and selling price increases to offset the impact of high inflation, high exchange rates and low disposable income in the hand of the consumers.

The power situation continued to impact your Company's Agents and Distributors with the cost of running generator-based cold rooms and/or freezers surmounting their financial capabilities. However, our indoor channel improved over previous year by 16%, outdoor channel grew by 7% over last year while Ice-cream sales compared to previous year improved by 26%.

Gross profit declined by 6% over the previous year. This was due mainly to foreign exchange constraints and ban on import of some packaging materials which led to high costs of input (raw) materials and lost sales coming from price change and size optimization of our products.

Operating costs remained largely under control during the year despite the unsatisfactory state of public infrastructure, political and economic environment. Manufacturing and distribution operations are also very expensive due to breakdowns, high maintenance costs, inadequate power supply, impairment of some assets etc.

Loss before tax increased by 150% because of the points mentioned above. This could have been better but for huge impact of foreign exchange and inflation loss of N1.6 billion that could not be fully passed on to consumers and also fixed asset impairment loss of N232 million that was not in the previous year.

Though business environment was harsh in 2017, the Company continued to pursue our growth strategy to ensure that all opportunities are explored in the future. During the year under review, the following initiatives were embarked on:

- The Company relocated its Lagos Corporate Office from 8B Oduduwa Crescent, GRA, Ikeja Lagos to Ochendo house, Plot 6 Cocoa Industries Road Ogba Lagos
- The discontinuation of Fan Loli due to the poor performance of the product in the market
- To improved distribution, we increased the total sales assets with by deploying 4000 more in 2017
- Increase in freezing capacity for the frozen products across various brands
- The Company acquired additional cold chain trailers to enhance adequate distribution of products across the Country.
- A major overhaul of all sales assets (bicycles and push carts) across the country
- Introduction of local push cart assembly and cool box manufacturing for increased sales points.

**Dividends**

In view of the present volatile circumstances and the current loss situation of the Company, the Board has decided that it would be imprudent to recommend dividend payment for the year under review. The Company is however strongly committed to driving returns on investments to shareholders in the years ahead.

**Future Outlook**

With the emergence of the country from recession in the last quarter of 2017 and with the oil price rising in the first quarter of 2018, we believe that we will see a good recovery this year and a positive business performance with the stability in the Foreign exchange compared with the previous year, however poor fiscal policies and low per capita income is still a challenge that lies ahead of our product demand.

While we are well aware of the challenges ahead, our focus will be on uncovering and taking advantage of the opportunities in order to emerge as a stronger entity in 2018. I am therefore optimistic about the Company's growth prospects. Already, plans are on-going as follows.

- As part of the innovation portfolio and in response to consumer yearnings, the Company has recently introduced a new product, Fan Up into the market in the first quarter of the year. This has been widely received by the consumers and we are beginning to see a boost in revenue and profitability.
- We recently resized our large sachets of Fan Vanille, Fan Choco and Super Yogo from 140ml SKUs to 160ml to enable us offer the right value proposition to our consumers and this is expected to increase our sales.
- Acquisition of new refrigerated trailers and trucks to further enhance distribution of products across the Country.
- Investment in sales assets for enhanced growth.
- Implementation of cost cutting strategies throughout the organization which includes

a) Reduction in energy consumption at the manufacturing and logistics sites

b) Improvement in cost of maintenance and spare part management

c) Cash management through stock planning optimization

d) Implementation of initiatives to curtail structural cost in the business

We are confident that these initiatives alongside others will be positively reflected in future financial results of the Company.

**Appreciation**

On behalf of the Board of Directors, I wish to express my sincere gratitude to our numerous customers across the country; our foreign partners, shareholders, management and to every staff of Fan Milk Plc for your continued support. Confident in our solid strategy, I assure you that our Company is ready and well equipped to deliver sustainable long-term success and achieve its vision.

Thank you for your kind attention and do have a pleasant Annual General Meeting

*Kodjo Aziagbe,*
*Chairman*

# DIRECTORS' REPORT

**DIRECTORS**

The Directors at the date of this report and those who held office during the year are as follows:-

Mr. Kodjo Aziagbe (Togolese) - Chairman
Mr. Herve Barrere (French) - Managing Director Appointed on 8 June 2017
Mr. Olayinka. O. Akinkugbe (Nigerian)
Dr. Babatunde. A. M. Ajibade, SAN (Nigerian)

| Name | 31st December, 2016 No. of 50k shares | | 31st December, 2017 No. of 50k shares | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| Mr. K. Aziagbe | - | - | - | |
| Mr. Hans Pedersen | - | - | - | - |
| Mr. O.O. Akinkugbe | | - | | - |
| Dr. B. A. M. Ajibade, SAN | - | - | - | - |
| Mr. Carlman Moyo | - | - | - | - |
| Mr. Jacob Kholi | - | - | - | - |
| Mr. Edouard Spicher | - | - | - | - |
| Mr. Thomas Rondot | - | - | - | - |
| Mr. Herve Barrere | - | - | - | - |
| Mr. Regis Massuyeau | - | - | - | - |

*None of the Directors have either direct or indirect shareholdings in the Company.

MAJORITY SHAREHOLDERS

As at the date of this report no person or Company has more than 5% of the capital except:-

| | Shares of 50k each | % |
|---|---|---|
| Danish Dairy Services A/S (Fan Milk International) | 992,432,817 | 99.3 |

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to consider disabled persons for employment, bearing in mind the aptitude and abilities of the applicants. This policy will continue.

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Company provides free medical services for the staff at the Company's clinic at the factory premises in Ibadan and in Lagos under the supervision of experienced staff nurses and part-time Doctors. The Company also maintains canteens where the staffs have free meals. Safety and occupational health regulations are strictly adhered to.

ENVIRONMENTAL COMMITMENT

It is the Company's policy to protect the environment and the Company strives to adopt appropriate measures of international standards and operate in accordance with Nigeria Law in order to minimize the environmental impact of its activities.

DIRECTORS' REPORT

ENVIRONMENTAL COMMITMENT

It is the Company's policy to protect the environment and the Company strives to adopt appropriate measures of international standards and operate in accordance with Nigeria Law in order to minimize the environmental impact of its activities.

CORPORATE SOCIAL RESPONSIBILITY

It is the Company's policy to conduct business in a socially responsible manner and embrace the principles and tenets of ISO 26000, thereby contributing as a corporate organization to socially beneficial projects across the country.

AUDITORS

The Auditors, Messrs PricewaterhouseCoopers, Chartered Accountants, have signified their willingness to be re-appointed under Section 357(2) of the Companies and Allied Matters Act, 2004.

**BY ORDER OF THE BOARD** **Dated this 16th Day of April 2018**

**OLAKUNLE OLUSANYA**
**FRC/2015/NBA/00000001539**
**COMPANY SECRETARY & LEGAL ADVISER**

# REPORT OF AUDIT COMMITTEE

To the shareholders of Fan Milk Plc

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004, we have reviewed the audited financial statements of the Company for the year ended 31 December 2017 and report as follows:

a) The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.

b) The scope and planning of the external audit was adequate.

c) The Company maintained effective systems of accounting and internal controls during the year.

d) Having reviewed the external auditors' findings and recommendations on management matters, we are satisfied with management responses thereon.

Dated this 16th April 2018

Ms. Toyosi Kolawole
Chairman, Audit Committee

**Members of the audit committeee**

1. Ms. Toyosi Kolawole
2. Mrs. Funke Ogiemonyi
3. Mr. Olayinka O. Akinkugbe
4. Dr. Babatunde A.M. Ajibade, SAN

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The companies and allied matters act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of each financial year and of its profit or loss. The responsibilities include ensuring that the company:

a. Keeps proper accounting records that disclose with reasonable accuracy, the financial position of the company and comply with the requirement of the Companies and Allied Matters Act.

b. Designs, implements and maintains internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and

c .Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual report and financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

**Mr. Kodjo Aziagbe**
Chairman
FRC/2014/IODN/00000009479

**Mr. Herve Barrere**
ManagingDirector
FRC/2018/IODN/ 00000018297

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 31 December 2017 N '000 | 31 December 2016 N '000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 6 | 11,752,265 | 10,959,040 |
| Cost of sales | 7 | (7,471,064) | (6,389,291) |
| **Gross profit** | | **4,281,201** | **4,569,749** |
| Distribution expenses | 7 | (2,341,465) | (1,703,132) |
| Administrative expenses | 7 | (2,181,046) | (2,128,219) |
| Other income | 9 | 82,279 | 22,606 |
| **Operating (loss)/profit** | | **(159,032)** | **761,004** |
| Finance income | 10 | - | 15,349 |
| Finance costs | 10 | (956,730) | (1,282,379) |
| **Finance costs-net** | | **(956,730)** | **(1,267,030)** |
| **Loss before tax** | | **(1,115,761)** | **(506,027)** |
| Income tax | 11 | 234,606 | 104,527 |
| **Loss for the year** | | **(881,155)** | **(401,499)** |
| **Other comprehensive income:** | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Actuarial gain on post employment benefit obligations (net of tax) | 11 | 17,954 | 69,505 |
| **Other comprehensive income for the year, net of tax** | | **17,954** | **69,505** |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(863,201)** | **(331,994)** |
| **Loss attributable to:** | | | |
| Owners of the company | | (881,155) | (401,499) |
| | | **(881,155)** | **(401,499)** |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the company | | (863,201) | (331,994) |
| | | **(863,201)** | **(331,994)** |
| **Loss per share** | | | |
| Basic | | (160) | (73) |
| Diluted | | (160) | (73) |

The accounting policies and notes on pages 16 to 48 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

| | Note | 31 December 2017 N '000 | 31 December 2016 N '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Deferred tax asset | 18 | 363,346 | 317,550 |
| Property, plant and equipment | 12.1 | 5,690,379 | 6,157,206 |
| Intangible assets | 12.2 | 4,467 | 6,586 |
| **Total non-current assets** | | **6,058,192** | **6,481,342** |
| **Current assets** | | | |
| Inventories | 13 | 1,537,744 | 1,716,386 |
| Trade and other receivables | 14 | 685,900 | 584,064 |
| Cash and cash equivalents | 15 | 145,978 | 416,802 |
| **Total current assets** | | **2,369,622** | **2,717,252** |
| **Total assets** | | **8,427,814** | **9,198,596** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liability | 18 | 98,595 | 287,520 |
| Post employment benefits | 19 | 539,335 | 506,628 |
| Borrowings | 20 | 389,671 | 648,484 |
| **Total non-current liabilities** | | **1,027,601** | **1,442,632** |
| **Current liabilities** | | | |
| Borrowings | 20 | 3,935,738 | 1,599,206 |
| Trade and other payables | 21 | 3,009,540 | 4,850,340 |
| Dividend payable | 22 | 2,437 | 2,437 |
| Current income tax liabilities | 11 | 10,033 | 39,066 |
| **Total current liabilities** | | **6,957,747** | **6,491,049** |
| **Total liabilities** | | **7,985,348** | **7,933,681** |
| **Net assets** | | **442,466** | **1,264,915** |
| **EQUITY** | | | |
| Ordinary share capital | 16 | 499,908 | 499,908 |
| Share premium | | 1,098,865 | 1,098,865 |
| Revaluation reserve | | 403,029 | 362,276 |
| Accumulated loss | | (1,559,336) | (696,134) |
| **Total equity** | | **442,466** | **1,264,915** |
| **Total equity and liabilities** | | **8,427,814** | **9,198,596** |

The accounting policies and notes on pages 16 to 48 form an integral part of these financial statements.

The financial statements and notes on pages 12 to 50 were approved for issue by the board of directors on 18 May 2018 and signed on its behalf by:

**Mr. Kodjo Aziagbe**
Chairman
FRC/2014/IODN/0000009479

**Mr. Titus Owoeye, FCA**
Finance Director
FRC/2017/ICAN/00000016487

**Mr. Herve Barrere**
Managing Director
FRC/2018/IODN/ 00000018297

# STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Ordinary Share capital | Share premium | Revaluation reserve | General reserve | Total Equity |
| **Balance at 1 January 2016** | **499,908** | **1,098,865** | **362,276** | **(424,674)** | **1,536,375** |
| Loss for the year | - | - | - | (340,965) | (340,965) |
| Other comprehensive income | - | - | - | 69,505 | 69,505 |
| **Total comprehensive loss** | **-** | **-** | **-** | **(271,460)** | **(271,460)** |
| **At 31 December 2016** | **499,908** | **1,098,865** | **362,276** | **(696,134)** | **1,264,915** |
| Loss for the year | - | - | - | (881,155) | (881,155) |
| Other comprehensive income | - | - | 40,753 | 17,954 | 58,707 |
| **Total comprehensive loss** | - | - | 40,753 | (863,201) | (822,448) |
| **At 31 December 2017** | **499,908** | **1,098,865** | **403,029** | **(1,559,336)** | **442,466** |

The accounting policies and notes on pages 16 to 48 form an integral part of these financial statements.

# STATEMENT OF CASHFLOWS

| | Note | 31 December 2017 N '000 | 31 December 2016 N '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 23 | (294,459) | 3,841,158 |
| Income taxes paid | 11 | (36,841) | (25,474) |
| **Net cash (outflow)/inflow from operating activities** | | (331,300) | 3,815,685 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12.1 | (1,873,803) | (2,600,655) |
| Interest received | 10 | - | 15,349 |
| Proceeds from disposal of property, plant and equipment | 12.1 | 25,105 | 9,106 |
| Purchase of intangible assets | 12.2 | (578) | - |
| **Net cash outflow from investing activities** | | (1,849,276) | (2,576,200) |
| **Cash flows from financing activities** | | | |
| Interest paid | 10 | (208,719) | (171,538) |
| Proceeds from borrowings | | 3,254,360 | 1,065,177 |
| Repayment of borrowings | | (651,019) | (787,234) |
| Effects of exchange rate changes on quasi-equity Loan | | 40,753 | - |
| Dividend paid | 22 | - | (1,195) |
| **Net cash inflow from financing activities** | | 2,435,375 | 105,211 |
| **Net increase in cash and cash equivalents** | | 254,800 | 1,344,695 |
| Cash and cash equivalents at the beginning of the year | 15 | (492,264) | (1,836,960) |
| **Cash and cash equivalents at the end of year** | 15 | (237,465) | (492,264) |

The accounting policies and notes on pages 16 to 48 form an integral part of these financial statements.


# CORPORATE GOVERNANCE FOR YEAR ENDED 31ST DECEMBER 2017

Fan Milk Plc is committed to the principles and practice that promote good Corporate Governance.

We recognize that sound corporate governance practices are necessary for effective management and control of the Company's business with a view to maximizing the shareholders' value and meeting the expectations of other stakeholders. In furtherance of the commitment to high ethical conduct, we regularly review our processes and practices to ensure compliance with the legislative and best practice changes in the global corporate governance environment.

The Board of Directors have the ultimate responsibility for the overall functioning of the Company. The responsibilities of the Board include setting the Company's strategic objectives, providing leadership to put them into effect, supervising the management of the business, etc. At the moment, the Board is composed of eight members including a Non-Executive Chairman, one Executive Director, two independent Non-Executive Directors, and four Non-Executive Directors. The Directors are experienced stakeholders with diverse professional backgrounds in Accounting, Commerce, Management, Legal and information Technology, etc. The Directors are men of impeccable character and integrity. The Company is indeed delighted to have a versatile Board with understanding of its responsibilities to Shareholders, Regulatory Authorities and Government.

The meetings of the Board are scheduled well in advance and the Board meets regularly. The record of attendance of Directors at Board meetings during 2017 is available for inspection at the Annual General Meeting.

**AUDIT COMMITTEE**

The Company established an Audit Committee in compliance with Section 359(6) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004. The Committee is comprised of three representatives of shareholders (elected annually at the AGM), and two Non-Executive Directors. Ms. Toyosi Kolawole chaired the Committee during the year under review.

# CORPORATE SOCIAL RESPONSIBILITY REPORT


Fan Milk Plc "the Company" is committed to conducting its business in a transparent, socially and environmentally responsible manner. The Company joined the UN Global Compact in 2010. As part of the Fan Milk Group your company is constantly working on introducing the UN Global Compact charter to all business partners.

**ETHICS**

The Company prides itself as an ethical corporate citizen and operates in accordance with the Laws of Nigeria. The Company also complies with all relevant statutory regulations and local laws in the country. During the year, the Company commenced its Compliance programme to strengthen the internal controls and corporate governance by rolling out the Danone Code of Business Conduct Policy, Integrity policy for employees and Danone Code of Business Partnering with Suppliers.

**SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES**

Fan Milk Plc constantly strives towards offering fair and market conform compensation and benefit packages to all staff based on benchmarks received from various sources. As for previous years your company continues to provide staff amenities at all major sites as well as free canteen facilities at the factory in Ibadan and in Lagos.

The company runs two health clinics in Lagos and Ibadan respectively and the company is committed to the development of a good working environment for it's employees.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

**SAFETY HEALTH AND ENVIRONMENT**

The Company recently launched the Safety Health and Environmental (SHE) Policy on the 1[st] of June 2017 for all employees and people while on Fan Milk sites while preventing work related injuries, understanding the company's risk management process to comply with Safety Health and Environmental laws and regulations. This journey we expect to continually improve the SHE performance with zero injury goals. Also during the year, the Food Safety and Quality Policy was launched to deliver the Company's commitment to manufacture products in compliance with Food Safety Management System ISO22000- 2005 which includes adherence to Hazard Analysis and Critical Control Points (HACCP) Principles.

Fan Milk Plc offers an Employee Health Care Scheme in which both employees and their registered spouses and children benefits from Company paid health and medical care.

Your Company continuously assesses the safety, health and environmental impact of its operation on both employees and the general public. Members of staff are regularly screed in conformity with the Nigerian health regulations.

Fan Milk Plc continues to emphasise on safety at the workplace by setting and enforcing high standards of the working environment within factory, distribution centres and offices. Safety inductions have been carried out regularly for newly employed staff introducing them to the safety procedures of the company. This has been coupled with health and safety training cutting across departments within the organisation.

The Safety Committee has throughout the year under review worked through participation from the various departments to respond to safety needs and to carry out monthly safety enlightenments and safety awareness training within the organisation.

The company's environmental activities and plans forms an integrated part of your company's overall strategies and business plans. Further your company has developed detailed plans for proper effluent treatment, which has been approved by relevant authorities

**TRAINING**

The Company takes pride to say its employees are its major assets and that continuous on the job training and external training coursed to improve the employees skill sets with the ever evolving business environment we currently operate which are fundamental to the growth of the Company.

The Company also carries out various systematic training for its Agents and Vendors through the FAN Academy to ensure that they understand the key handling requirements of the company's products, hereunder hygiene, handling of sales equipment and maintaining the cold-chain.

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# REPORT OF INDEPENDENT AUDITORS

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*Independent auditor's report*

To the Members of Fan Milk Plc

## *Report on the audit of the financial statements*

### *Our opinion*

In our opinion, Fan Milk Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

**What we have audited**

Fan Milk Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2017;
- the statement of financial position as at 31 December 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### *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.

We have determined that there are no key audit matters to communicate in our report.

### *Other information*

The directors are responsible for the other information. The other information comprises *the Directors Report, Report of the Audit Committee, Statement of Directors' Responsibilities, Chairman's Statement, Corporate Governance/Corporate Social Responsibility Project Report, Statement of value added and Five Year Financial Summary* (but does not include the financial statements and our auditor's report thereon).

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

# REPORT OF INDEPENDENT AUDITORS

pwc

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

### *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 scepticism throughout the audit. We also:

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

REPORT OF INDEPENDENT AUDITORS

pwc

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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*

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

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.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0136219

Edafe Erhie

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

1 June 2018

Engagement Partner: Edafe Erhie
FRC/2013/ICAN/00000001143


# NOTES TO FINANCIAL STATEMENTS

1.General information

Fan Milk Plc was incorporated as a Limited Liability company on 4 November 1961 and was converted on 5 October 1995 to a public limited liability company. The company has a factory located in Ibadan and is engaged in the production and distribution of dairy, juice and food products. Fan Milk Plc is a subsidiary of Danish Dairy Services A/S Denmark (Fan Milk International A/S. 99.3% of the share capital of the company is owned by Danish Dairy Services A/S Denmark and 0.7% owned by Nigerian individual and corporate investors. Fan Milk Plc is a listed on NASD but its shares are not being actively traded.

2.Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. They have been prepared in accordance with International Financial Reporting Standards (IFRS). The management of Fan Milk considers the following to be the most important accounting policies for the company. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the year end date and the reported revenues and expenses during the financial year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.
The financial statements have been prepared in accordance with the Company's accounting policies described below. The financial statements are presented in Nigerian Naira, rounded to the nearest thousand.

2.1.1Going concern

The financial statements have been prepared on a going concern basis, although the Company incurred a net loss of N863.2million (2016: N271.5million) for the year ended 31 December 2017 and recorded a net current liability of N1.4billion (2016: N3.8billion) as at 31 December 2017. The Company relies mainly on Emidan A/S - its sister company for imported raw materials. During the year, the Company obtained a loan of $10million (N3.2billion) from its parent, Fan Milk International A/S, Denmark, which it used to settle amounts due to Emidan A/S. In 2018, the directors initiated the process of converting the loan balance to equity. The directors have no doubt that the Company will remain in existence after 12 months.

2.1.2Changes in accounting policies and disclosures

i)New Standards, amendments, interpretations adopted by the group.
There were no new standards adopted by the Company for the first time for the financial year beginning on or after 1 January 2017 that would be expected to have a material impact on the Company's financial statements.
ii)New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2017, and have not been applied in preparing these financial statements. Management is assessing the effect of the following standards on the financial statements of the Company.

IFRS 15 - 'Revenue from contracts with customers' (Effective 1 January 2018)

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with

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IFRS 15 - 'Revenue from contracts with customers' (Effective 1 January 2018)

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is yet to fully assess the expected impact on this standard.

IFRS 9 - 'Financial instruments' (Effective 1 January 2018)

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess IFRS 9's full impact.

IFRS 16 - 'Leases' (Effective 1 January 2019)

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17.

Other amendments and standards are not deemed to relate to the transactions of the Company.

2.2Foreign currency translation

NOTES TO
FINANCIAL STATEMENTS

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Other amendments and standards are not deemed to relate to the transactions of the Company.

2.2Foreign currency translation

*(a) Functional and presentation currency*
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The financial statements are presented in thousands (Naira), which is the Company's presentation currency.
*(b) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.
Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

2.3Property, plant and equipment
Land and buildings comprises mainly of factories and offices. Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated in the balance sheet at historical cost or deemed cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items. Deemed cost includes surpluses arising on the revaluation of certain properties to their fair values prior to the date of transition to IFRS.

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 can be measured reliably. The carrying amount of the replaced

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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 can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets under construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Land is not depreciated.  Depreciation is calculated using the straight line method to write off the cost or deemed cost of each asset over their estimated useful lives as follows:

% Leasehold land and buildingsOver the lease period

Plant and machinery10

NOTES TO
FINANCIAL STATEMENTS

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Land is not depreciated.  Depreciation is calculated using the straight line method to write off the cost or deemed cost of each asset over their estimated useful lives as follows:

% Leasehold land and buildingsOver the lease period

| | |
|---|---|
| Plant and machinery | 10 |
| Furniture and fittings | 20 |
| Milk crates, containers | 50 |
| Motor vehicles | 25 |
| Conservators, bicycles and boxes | 20 |
| Spare parts | 50 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

2.4Intangible assets
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

2.5Impairment of non financial assets
At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).
Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.6Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.7Financial assets
Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable costs.

The company determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular purchases and sales of financial assets are recognised on the date on which the company commits to purchase or sell the asset.

| | |
|---|---|
| Furniture and fittings | 20 |
| Milk crates, containers | 50 |
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FINANCIAL STATEMENTS

and appropriate, re-evaluates this designation at each financial year end. All regular purchases and sales of financial assets are recognised on the date on which the company commits to purchase or sell the asset.

a)Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

b)Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

c)Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.8Impairment of financial assets
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.9Financial liabilities
a)Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.
b)Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.
To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over

Below is a breakdown of financial assets nether past due nor impaired, past due but not impaired and fully impaired:

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| | **Trade receivables** | |
| Neither past due nor impaired | 310,471 | 171,406 |
| Past due but not impaired | 3,860 | 3,112 |
| Impaired | 44,342 | 40,466 |
| **Gross** | 358,673 | 214,984 |
| Specific impairment | (44,342) | (40,466) |
| **Net** | 314,331 | 174,518 |

**3.2.4.1 Credit quality of financial assets that are neither past due nor impaired**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as described as follows:

| **Trade receivables** | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| Group 1: Customers with no history of default | 229,749 | 126,840 |
| Group 2: Customers with a history of default | 80,722 | 44,566 |
| | 310,471 | 171,406 |

| **Cash and cash equivalents** | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| Credit quality derived using external credit rating | | |
| A+ | 8,058 | - |
| AA- | 53 | - |
| AAA | 953 | - |
| B+ | 5,192 | 57,594 |
| B- | - | 248,967 |
| BB+ | 9,868 | - |
| Non-rated | 12,907 | - |
| | **37,032** | **306,561** |

The credit rating for cash and cash equivalent balances are based on national long-term rating of Fitch Ratings- London-31 August 2017.

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The ageing analysis of financial assets that are past due but not impaired is as follows

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| 1-3 months | - | - |
| 3-6 months | 3,860 | 3,112 |
| 6-9 months | - | - |
| 9-12 months | - | - |
| More than 12 months | - | - |
| **Total** | **3,860** | **3,112** |

**3.2.4.2 Financial assets that are individually impaired**

As of 31 December 2017, trade receivables of N44,342,978 (2016: N40,466,389) were impaired. The amount of the provision was N44,342,978 as of 31 December 2017 (2016: N40,466,389). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| 3-6 months | - | - |
| 6-9 months | 11,474 | 13,201 |
| 9-12 months | 891 | 2,759 |
| More than 12 months | 31,977 | 24,506 |
| **Total** | **44,342** | **40,466** |

**3.3 Liquidity risk**

**3.3.1 Management of liquidity risk**

The Company has incurred indebtedness in the form of overdrafts but also has significant cash balances. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities. The company has no limitation placed on its borrowing capability.

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**3.3.2 Maturity analysis**

The table below analyses financial liabilities of the Company into relevant maturity groupings based on the remaining period at date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

| | 31 - 90 days | 181 - 365 days | Over 1 year but less than 5 yrs | Total |
|---|---|---|---|---|
| **31 December 2017 (N'000)** | | | | |
| **Financial liabilities** | | | | |
| **Borrowings** | | | | |
| -Bank borrowings | - | 352,957 | - | 352,957 |
| - Loans from related parties | - | 3,199,337 | - | 3,199,337 |
| -Bank overdraft | 383,444 | - | - | 383,444 |
| Trade and other payables | - | 3,009,540 | - | 3,009,540 |
| **Total financial liabilities** | **383,444** | **6,561,833** | **-** | **6,945,278** |

| | 31 - 90 days | 181 - 365 days | Over 1 year but less than 5 yrs | Total |
|---|---|---|---|---|
| **31 December 2016 (N'000)** | | | | |
| **Financial liabilities** | | | | |
| **Borrowings** | | | | |
| -Bank borrowings | - | 690,139 | - | 690,139 |
| -Bank overdraft | 909,067 | - | - | 909,067 |
| Trade and other payables | - | 4,850,340 | - | 4,850,340 |
| **Total financial liabilities** | **909,067** | **5,540,479** | **-** | **6,449,547** |

**3.4 Market risk**

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates and foreign exchange rates.

**3.4.1 Interest rate risk**

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for best interest rate borrowings when terms offered are attractive.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

| 31 December 2017 (N'000) | Carrying amount | Variable interest | Fixed interest | Non interest-bearing |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 414,175 | - | - | 414,175 |
| Cash and cash equivalents | 145,978 | 145,978 | - | - |
| | **560,153** | **145,978** | **-** | **414,175** |
| **Liabilities** | | | | |
| **Borrowings (N'000)** | | | | |
| -Bank borrowings | 742,628 | - | 742,628 | - |
| - Loans from related parties | 3,199,337 | 3,199,337 | - | - |
| -Bank overdraft | 383,444 | 383,444 | - | - |
| Trade and other payables | 3,009,540 | - | - | 3,009,540 |
| | **7,334,948** | **3,582,781** | **742,628** | **3,009,540** |

| 31 December 2016 (N'000) | Carrying amount | Variable interest | Fixed interest | Non interest-bearing |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 288,715 | - | - | 288,715 |
| Cash and cash equivalents | 416,802 | 416,802 | - | - |
| | **705,517** | **416,802** | **-** | **288,715** |
| **Liabilities** | | | | |
| **Borrowings** | | | | |
| -Bank borrowings | 1,338,624 | 286,344 | 1,052,280 | - |
| -Bank overdraft | 909,067 | 909,067 | - | - |
| Trade and other payables | 4,850,340 | - | - | 4,850,340 |
| | **7,098,031** | **1,195,411** | **1,052,280** | **4,850,340** |

The table below shows the impact on the Company's profit before tax if interest rates on financial instruments held at amortised cost had increased or decreased by 100 basis points, with all other variables held constant.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Effect of 100 basis points movement on profit before tax (N'000) | 43,254 | 22,477 |

**3.4.2 Foreign exchange risk**

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies.

The Company imports raw materials, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from EUR, CFA and USD exposures. Management is responsible for minimising the effect of the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due.

| 31 December 2017 (N'000) | Euro | CFA | Dollar |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | - | - | - |
| Cash and cash equivalents | - | - | - |
| **Total** | **-** | **-** | **-** |
| **Liabilities** | | | |
| -Bank borrowings | - | - | - |
| -Bank overdraft | - | - | - |
| Trade and other payables | 511 | 93,850 | 14,154 |
| **Total** | **511** | **93,850** | **14,154** |

| 31 December 2016 (N'000) | Euro | CFA | Dollar |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | - | - | - |
| Cash and cash equivalents | - | - | - |
| **Total** | **-** | **-** | **-** |
| **Liabilities** | | | |
| -Bank borrowings | - | - | - |
| -Bank overdraft | - | - | - |
| Trade and other payables | - | 182,327 | 9,753 |
| **Total** | **-** | **182,327** | **9,753** |

The table below shows the impact on the Company's profit and equity if the exchange rate between the Euro/US Dollar /CFA and the Nigerian Naira had increased or decreased by 1%, with all other variables held

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Effect of 1% movement (2016: 50%) in EUR on profit before tax (N'000) | 1,872 | - |
| Effect of 1% movement (2016: 50%) in USD on profit before tax (N'000) | 43,240 | 1,484,894 |
| Effect of 1% movement (2016: 50%) in CFA on profit before tax (N'000) | 512 | 43,357 |
| | **45,624** | **1,528,251** |

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## 3.5 Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

? Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

? Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

? Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date (2016: Nil), the company did not have any financial assets or liabilities measured at fair value. All financial assets and liabilities are carried at amortised cost.

## 3.6 Financial instruments measured at amortised cost

| | At 31 December 2017 | | At 31 December 2016 | |
|---|---|---|---|---|
| | Carrying value N'000 | Fair value N'000 | Carrying value N'000 | Fair value N'000 |
| **Financial assets** | | | | |
| Cash and bank balances | 145,978 | 145,978 | 416,802 | 416,802 |
| Trade and other receivables | 414,175 | 414,175 | 288,715 | 288,715 |
| | **560,153** | **560,153** | **705,517** | **705,517** |
| **Financial liabilities** | | | | |
| **Borrowings** | | | | |
| -Bank borrowings | 742,628 | 742,628 | 1,338,624 | 1,338,624 |
| -Bank overdraft | 383,444 | 383,444 | 909,067 | 909,067 |
| Trade and other payables | 3,009,540 | 3,009,540 | 4,850,340 | 4,850,340 |
| | **4,135,611** | **4,135,611** | **7,098,031** | **7,098,031** |

## 4. Capital management

The Company manages its capital to ensure it is able to continue as a going concern while maximising returns to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from prior years.

The capital structure of the company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued share capital, reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

The Company's risk management department reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company's gearing ratio is determined as the proportion of net debt to equity. No formal debt/equity target has been established.

### 4.1 Gearing ratio

The gearing ratio at the end of the reporting period is as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Debt (note i) | 4,325,409 | 2,247,690 |
| Cash and bank balances | (145,978) | (416,802) |
| **Net debt** | 4,179,431 | 1,830,888 |
| Equity (note ii) | 442,466 | 1,264,915 |
| **Net debt to equity** | 945% | 145% |

Note i: Debt is defined as long and short term borrowings.
Note ii: Capital includes all capital and reserves of the company.

### 5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and 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 company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

### 5.1 Retirement benefit

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining net cost for the retirement benefit obligation include the discount rate, Any change in these assumptions will impact the carrying amount of the obligations. Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in note 19.

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### 6 Revenue

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| Sale of goods (all within Nigeria) | 11,752,265 | 10,959,040 |

### 7 Expenses by Nature

| | | |
|---|---|---|
| Raw materials and consumables used | 4,513,841 | 3,858,697 |
| Employee benefit expense (note 26) | 1,651,078 | 1,594,231 |
| Directors fees | 16,954 | 20,400 |
| Impairment charges - tangible asset (note 12.1) | 232,168 | - |
| Depreciation (note 12.1) | 2,004,318 | 1,772,979 |
| Amortisation of intangible assets | 2,697 | 4,412 |
| Office expenses | 490,769 | 483,825 |
| Repairs and maintenance | 1,379,602 | 1,147,593 |
| Rent and rates | 1,249,571 | 1,089,902 |
| Audit fees | 18,107 | 14,000 |
| Loss on sale of property, plant and equipment | - | 34,645 |
| Advertising, sales promotion and corporate marketing | 349,384 | 101,443 |
| Other expenses | 85,086 | 37,981 |
| | **11,993,575** | **10,160,108** |

Impairment relates to a write-off of a faulty packaging machine deemed irreparable and obsolete spare parts.

Expense by function have been disclosed in the statement of comprehensive income as follows:

| | | |
|---|---|---|
| Cost of sales | 7,471,064 | 6,389,291 |
| Distribution costs | 2,341,465 | 1,703,132 |
| Administration expenses | 2,181,046 | 2,128,219 |
| | **11,993,575** | **10,220,642** |

### 8 Employee benefit expense

| | | |
|---|---|---|
| Wages, salaries and allowances | 1,424,119 | 1,390,208 |
| Pension costs - defined contribution plans | 72,511 | 62,737 |
| Pension costs - defined benefit plans | 37,591 | 38,215 |
| Medical, welfare and training | 116,857 | 103,071 |
| | **1,651,078** | **1,594,231** |

### 9 Other income

| | 31 December 2017 N'000 | 31 December 2016 N'000 |
|---|---|---|
| Insurance claims received | 54,500 | 7,832 |
| Gain on sale of property, plant and equipment | 14,858 | - |
| Miscellaneous income | 12,920 | 14,774 |
| | **82,279** | **22,606** |

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**10 Finance costs**

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| **Interest income:** | | |
| -Interest income | - | 15,349 |
| **Interest expense:** | | |
| -Bank borrowing | (208,719) | (171,538) |
| -Related party borrowing | (137,398) | - |
| -Overdrafts | (274,010) | (295,355) |
| -Bank charges | (143,346) | (138,021) |
| -Interest on actuarial valuation | (68,963) | (60,534) |
| -Exchange losses | (124,294) | (616,931) |
| Total finance costs | (956,730) | (1,282,379) |
| Less: amounts capitalised on qualifying assets | - | - |
| Total finance costs charged to income statement | (956,730) | (1,282,379) |
| Net finance costs | (956,730) | (1,267,030) |

**11 Income tax**

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Capital gains tax | 877 | - |
| Education tax | 6,931 | 38,750 |
| **Total current tax charge** | **7,808** | **38,750** |
| Deferred tax (note 18) | | |
| Origination and reversal of temporary differences | (242,414) | (143,277) |
| **Total deferred tax** | **(242,414)** | **(143,277)** |
| **Income tax** | **(234,606)** | **(104,527)** |

**Further information about deferred income tax is presented below.**
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| **Loss before tax:** | (1,115,761) | (506,027) |
| Income tax using the domestic corporation tax rate @30% | (334,728) | (151,808) |
| Education tax | 6,931 | 38,750 |
| Tax effect of investment allowance | (49,203) | (6,795) |
| Tertiary education tax on temporary difference | 15,159 | - |
| Prior year over/(under) provision-deferred tax | 127,235 | (2,834) |
| **Total income tax expense in income statement** | **(234,606)** | **(104,527)** |

The tax (charge)/credit relating to components of other comprehensive income is as follows:

| | 31 December 2017 | | |
|---|---|---|---|
| | Before tax | Tax charge | After tax |
| Actuarial gain on post employment benefit obligation | 25,649 | (7,694) | 17,954 |
| **Other comprehensive income** | 25,649 | (7,694) | 17,954 |

| | 31 December 2016 | | |
|---|---|---|---|
| | Before tax | Tax credit | After tax |
| Actuarial loss on post employment benefit obligation | 99,293 | (29,788) | 69,505 |
| **Other comprehensive income** | 99,293 | (29,788) | 69,505 |

The current tax charge has been computed at the applicable rate of 30% (31 December 2016: 30%) plus education levy of 2% (31 December 2016: 2%) on the loss for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

| The movement in the current income tax liability is as follows: | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| At start of the year | 39,066 | 25,790 |
| Tax paid | (36,841) | (25,474) |
| Income tax charge | 7,808 | 38,750 |
| At end of the year | **10,033** | **39,066** |

| 12.1 | Property, plant and equipment | Leasehold land buildings N'ooo | Plant and Machinery N'ooo | Furniture and Fittings N'ooo | Motor vehicles N'ooo | Milk crates, bicycles and boxes N'ooo | Construction and work in progress N'ooo | Total N'ooo |
|---|---|---|---|---|---|---|---|---|
| | **Cost** | | | | | | | |
| | **At 1 January 2017** | **1,163,979** | **8,252,994** | **1,706,301** | **1,755,002** | **2,027,799** | **792,101** | **15,698,177** |
| | Additions | 5,210 | 963,493 | 413,380 | 227,093 | 33,558 | 231,069 | 1,873,803 |
| | Reclassification | 6,451 | 207,725 | 17,063 | - | 435,323 | (666,562) | - |
| | Disposals | - | (64,590) | (4,603) | (66,650) | (609) | - | (136,452) |
| | **At 31 December 2017** | **1,175,640** | **9,359,622** | **2,132,141** | **1,915,445** | **2,496,071** | **356,608** | **17,435,528** |
| | **Accumulated depreciation** | | | | | | | |
| | **At 1 January 2017** | **(312,193)** | **(5,411,681)** | **(1,174,097)** | **(1,292,191)** | **(1,444,706)** | - | **(9,634,868)** |
| | Charge for the year | (52,066) | (1,260,165) | (209,777) | (257,427) | (224,883) | - | (2,004,318) |
| | Impairment charges | - | (232,168) | - | - | - | - | (232,168) |
| | Disposals | - | 58,253 | 3,578 | 63,766 | 609 | - | 126,205 |
| | **At 31 December 2017** | **(364,259)** | **(6,845,761)** | **(1,380,296)** | **(1,485,852)** | **(1,668,980)** | - | **(11,745,149)** |
| | **Net book value at 31 December 2017** | **811,381** | **2,513,860** | **751,845** | **429,593** | **827,091** | **356,608** | **5,690,379** |
| | **Cost** | | | | | | | |
| | **At 1 January 2016** | **1,163,344** | **7,675,219** | **1,361,428** | **1,664,313** | **1,596,820** | **204,793** | **13,665,917** |
| | Additions | 2,550 | 939,718 | 346,698 | 169,548 | 426,144 | 715,997 | 2,600,655 |
| | Reclassification | - | - | - | - | 34,791 | (34,791) | - |
| | Disposals | (1,915) | (361,943) | (1,825) | (78,859) | (29,956) | - | (474,497) |
| | **At 31 December 2016** | **1,163,979** | **8,252,994** | **1,706,301** | **1,755,002** | **2,027,799** | **885,999** | **15,792,075** |
| | **Accumulated depreciation** | | | | | | | |
| | **At 1 January 2016** | **(276,586)** | **(4,545,158)** | **(998,588)** | **(1,114,948)** | **(1,357,356)** | - | **(8,292,636)** |
| | Charge for the year | (37,522) | (1,186,053) | (177,173) | (254,926) | (117,305) | - | (1,772,979) |
| | Disposals | 1,915 | 319,529 | 1,664 | 77,683 | 29,956 | - | 430,747 |
| | **At 31 December 2016** | **(312,193)** | **(5,411,681)** | **(1,174,097)** | **(1,292,191)** | **(1,444,706)** | - | **(9,634,868)** |
| | **Net book value at 31 December 2016** | **851,787** | **2,841,313** | **532,204** | **462,811** | **583,093** | **885,999** | **6,157,206** |

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**12.2 Intangible assets**

| | Computer software |
|---|---|
| **Cost** | |
| At 1 January 2017 | 52,218 |
| Additions | 578 |
| At 31 December 2017 | 52,796 |
| **Accumulated amortisation** | |
| At 1 January 2017 | 45,632 |
| Amortisation charge | 2,697 |
| At 31 December 2017 | 48,329 |
| **Net book amount at 31 December 2017** | **4,467** |
| **Cost** | |
| At 1 January 2016 | 52,218 |
| Additions | - |
| At 31 December 2016 | 52,218 |
| **Accumulated amortisation** | |
| At 1 January 2016 | 41,220 |
| Amortisation charge | 4,412 |
| At 31 December 2016 | 45,632 |
| **Net book amount at 31 December 2016** | **6,586** |

The amortisation charge for the year is included in other operating expenses in the statement of comprehensive income.

**13 Inventories**

| | 31 December 2017 N'ooo | 31 December 2016 N'ooo |
|---|---|---|
| Finished goods | 140,025 | 193,097 |
| Raw and packing materials | 866,482 | 1,010,453 |
| Non trade stock | 30,063 | 31,747 |
| Goods in transit | 501,174 | 481,089 |
| | **1,537,744** | **1,716,386** |

## 14 Trade and other receivables

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Trade receivables | 314,331 | 174,518 |
| Staff debtors | 32,357 | 15,824 |
| Insurance claims/receivables | 10,115 | 1,295 |
| Due from related parties | 3,286 | 1,233 |
| Other receivables | 54,086 | 95,845 |
| Prepayments | 271,725 | 295,349 |
| | **685,900** | **584,064** |

Other receivables relates to advance payments made to suppliers.

## 14.1 Impairment of trade receivables

Movements in the provision for impairment of trade receivables are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| At 1 January | 40,466 | 24,471 |
| Impairment charge for the year | 6,247 | 15,995 |
| Recoverables during the year | (2,371) | - |
| At 31 December | **44,342** | **40,466** |

## 15 Cash and cash equivalents

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Cash in hand | 108,946 | 1,621 |
| Cash at bank | 37,032 | 415,181 |
| **Cash and cash equivalents** | **145,978** | **416,802** |

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Cash and cash equivalents | 145,978 | 416,802 |
| Bank overdrafts (note 20) | (383,444) | (909,067) |
| **Cash and cash equivalents** | **(237,466)** | **(492,265)** |

## 16 Share capital

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Authorised share capital** | N'000 | N'000 |
| **Ordinary shares** | 500,000 | 500,000 |
| 1,000,000,000 shares of 50k each | | |
| | **500,000** | **500,000** |

NOTES TO
FINANCIAL STATEMENTS

| | | |
|---|---|---|
| **Issued and fully paid** | | |
| **Ordinary shares** | | |
| 999,815,848 shares of 50k each | 499,908 | 499,908 |
| At 31 December | **499,908** | **499,908** |

## 17 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

**Share premium**: Premiums from the issue of shares are reported in share premium.

**General reserve/retained earnings**: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves.

**Revaluation reserve**: The revaluation reserve comprises of surplus on revaluation of leasehold land and buidings done on 14 March 1998 by Frank Kadirri & Co. (Estate Surveyors & Valuers) and foreign exchange gain on revaluation of USD10million quasi-equity loan obtained from Fan Milk International (FMI).

## 18 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%).

**Deferred income tax assets and liabilities are attributable to the following items:**

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Deferred tax liabilities** | N'000 | N'000 |
| Deferred tax liability to be recovered after more than 12 months | 98,595 | 287,520 |
| Deferred tax liability to be recovered within 12 months | - | - |
| | 98,595 | 287,520 |
| **Deferred tax assets** | | |
| Deferred tax asset to be recovered after more than 12 months | 363,346 | 317,550 |
| Deferred tax asset to be recovered within 12 months | - | - |
| | 363,346 | 317,550 |
| **Net deferred assets** | **264,750** | **30,030** |

The movement in deferred income tax assets and liabilities during the year is as follows

| Deferred income tax assets | 1 January 2017 | Recognised in Profit or loss | Recognised in OCI | 31 December 2017 |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Post employment benefit scheme | 151,989 | 24,068 | (7,694) | 168,362 |
| Unrealised exchange loss | 152,723 | (152,723) | - | - |
| Accumulated tax depreciation | - | 177,156 | - | 177,156 |
| Provisions | 12,838 | 4,989 | - | 17,828 |
| | **317,550** | **53,490** | **(7,694)** | **363,346** |

| Deferred income tax assets | 1 January 2016 | Recognised in Profit or loss | Recognised in OCI | 31 December 2016 |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Employee loans | 2,193 | (2,193) | - | - |
| Post employment benefit scheme | 162,484 | 19,293 | (29,788) | 151,989 |
| Unrealised exchange gains/(losses) | 26,058 | 126,665 | - | 152,723 |
| Provisions | 17,875 | (5,037) | - | 12,838 |
| | **208,610** | **138,728** | **(29,788)** | **317,550** |

| Deferred income tax liabilities | 1 January 2017 | Recognised in Profit or loss | Recognised in OCI | 31 December 2017 |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Accumulated tax depreciation | 287,520 | (287,520) | - | - |
| Unrealised exchange gain | - | 98,595 | - | 98,595 |
| | **287,520** | **(188,925)** | **- -** | **98,595** |

| Deferred income tax liabilities | 1 January 2016 | Recognised in Profit or loss | Recognised in OCI | 31 December 2016 |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Accumulated tax depreciation | 289,529 | (2,009) | - | 287,520 |
| Employee loans | 2,540 | (2,540) | - | - |
| | **292,069** | **(4,549)** | - | **287,520** |

**19 Post employment benefit obligation**

Defined contribution scheme

The Company and its employees make a joint contribution of 18% basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

NOTES TO
FINANCIAL STATEMENTS

Defined benefit scheme

(a) Staff gratuity plan

The Company operates an unfunded defined benefit staff gratuity plan where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period of five years and gross salary on date of retirement.

(b) Long service award

The company provides employees with two (2) Long Service Award Benefits – a flat cash award expressed as a proportion of basic salary together with a gift award based on years of service. The company's mandatory retirement age is 60years for all staff.

| Statement of financial position liability for: | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Staff gratuity plan | 488,705 | 462,730 |
| Long service award | 50,630 | 43,898 |
| | **539,335** | **506,628** |

**a Staff gratuity plan**

The amount included in the statement of financial position arising from the entity's obligation in respect of the gratuity scheme is as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Present value of unfunded obligations | 488,705 | 462,730 |
| **Liability in the balance sheet** | **488,705** | **462,730** |

Movement in the present value of the gratuity scheme in the current year were as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Opening defined benefit obligation | 462,730 | 498,785 |
| Current service cost | 29,698 | 34,575 |
| Interest cost | 64,726 | 56,534 |
| -Actuarial (losses)/gains arising from change in assumption | 37,801 | (74,933) |
| -Actuarial (losses) arising from experience adjustments | (63,450) | (19,433) |
| Benefits paid | (42,800) | (32,798) |
| Closing defined benefit obligation | **488,705** | **462,730** |

The amount recognised in comprehensive income in respect of the gratuity scheme is as follows:

| | 2017 | 2016 |
|---|---|---|
| | N'000 | N'000 |
| Current service cost | 29,698 | 34,575 |
| Past service cost including curtailment gains and losses | - | - |
| Net interest expense | 64,726 | 56,534 |
| Components of defined benefit costs recognised in profit or loss | **94,424** | **91,109** |
| **Remeasurement of the defined benefit obligation** | | |
| -Actuarial (losses) arising from experience adjustments | (63,450) | (19,433) |
| -Actuarial (losses)/gains arising from changes in assumption | 37,801 | (74,933) |
| Components of defined benefit costs recognised in other comprehensive income | (25,649) | (94,366) |
| **Total** | **68,775** | **(3,257)** |

The current service cost and the net interest expense for the year are included in the employee benefit expense in profit/loss account. The entire net interest expense for the year has been included in administration costs.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The principal actuarial assumptions were as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Average long term discount rate (p.a.) | 14% | 15% |
| Average long term pay increase (p.a.) | 16% | 14% |

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below has been determined based on reasonable possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant.

| | | |
|---|---|---|
| Base | See above | 488,705 |
| Discount rate | +1% | 450,905 |
| | -1% | 531,409 |
| Salary increase | +0.25% | 493,599 |
| | -0.25% | 483,919 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

NOTES TO
FINANCIAL STATEMENTS

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years

**b Long service award**

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Present value of unfunded obligations | 50,630 | 43,899 |

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Opening long service award obligation | 43,899 | 42,828 |
| Current service cost | 3,478 | 3,640 |
| Interest cost | 4,237 | 4,000 |
| -Actuarial gains arising from change in assumption | 4,405 | 688 |
| -Actuarial (losses)/gains arising from experience adjustments | - | (5,615) |
| Benefits paid | (5,389) | (1,642) |
| Closing long service award obligation | **50,630** | **43,899** |

The amount recognised in comprehensive income in respect of the long service award is as follows:

| | 2017 | 2016 |
|---|---|---|
| | N'000 | N'000 |
| Current service cost | 3,478 | 3,640 |
| Past service costs (including losses on curtailments) | - | - |
| Net interest expense | 4,237 | 4,000 |
| Actuarial gains arising from change in assumption | 4,405 | 688 |
| **Components of defined benefit costs recognised in profit or loss** | 12,120 | 8,328 |

The principal methods and assumptions are the same as the defined benefit scheme

The sensitivity analysis for the long service award is detailed below:

| | | |
|---|---|---|
| Base | See above | 50,630 |
| Discount rate | +1% | 48,294 |
| | -1% | 53,162 |
| Salary increase | +0.25% | 51,093 |
| | -0.25% | 50,174 |

**20 Borrowings**

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| **Non-current** | | |
| Bank borrowings | 389,671 | 648,484 |
| | 389,671 | 648,484 |
| **Current** | | |
| Bank borrowings | 352,957 | 690,139 |
| Loans from related parties | 3,199,337 | - |
| Bank overdraft | 383,444 | 909,067 |
| | 3,935,738 | 1,599,206 |
| **Total borrowings** | **4,325,409** | **2,247,690** |

| **This is further analysed** | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Term Loans** | N'000 | N'000 |
| IFU Loans (Note 20.1) | - | 286,344 |
| Fan Milk International (FMI) loans (Note 20.2) | 3,199,337 | - |
| Zenith Bank (Note 20.3) | 650,779 | 859,658 |
| Bankers import finance facilities (Note 20.4) | 91,849 | 5 |
| First Bank (Note 20.5) | - | 192,617 |
| | **3,941,965** | **1,338,624** |
| **Other borrowings** | | |
| Bank overdraft | 383,444 | 909,067 |
| | **383,444** | **909,067** |
| **Total Borrowings** | **4,325,409** | **2,247,690** |

NOTES TO FINANCIAL STATEMENTS

**20.1 Industrial Fund for Developing Countries (IFU) Loan**

The balance at the end of the year is nil (2016: N286,344,122) and it represents outstanding balance on the loan granted to the Company by the Industrial Fund for Developing Countries (IFU) under a loan agreement dated 22 November 2011. The loan is interest bearing, accruable on quarterly basis of 6-month USD libor plus 4% per annum and payable on quarterly basis at the exchange rate applicable on the day of remittance. The loan is repayable over five (5) years with effect from 31 December 2012 in ten (10) equal half-yearly instalments basis at the exchange rate applicable on the day of remittance. This is secured by a negative pledge

**20.2 Fan Milk International (FMI)**

The amount of N3,199,337 (2016: Nil) represents the drawn down portion of a Ten Million United States Dollar (USD10million) loan granted to the Company by Fan Milk International under a loan agreement dated 15 December 2016. The loan is interest bearing, accruable on semi-annual basis of 6-month USD libor plus 5% per annum and payable semi-annually in arrears, on 30 June and 31 December of each year, at the exchange rate applicable on the day of remittance.

**20.3 Zenith Bank Plc**

The amount of N650,779,428 (2016: N859,659,183) represents the drawn down portion of the N1,500,000,000 loan granted to the Company by Zenith Bank Plc under a loan agreement dated 23 September 2015. The loan is interest bearing, accruable on monthly basis at 22% per annum. The loan is repayable over 2 years from the date of drawdown. This is secured by a negative pledge over the assets of the company.

**20.4 Banker Import Finance Facilities**

The amount relates to import finance facility obtained from Guaranty Trust Bank Plc to finance importation with an interest rate of 20%. This is secured by a negative pledge over the assets of the company.

**20.5 First Bank of Nigeria Plc**

The balance at the end of the year is nil (2016: N192,616,587) and it represents the fully drawn down value of the N1,000,000,000 BOI loan granted to the Company through First Bank Plc under a loan agreement dated 29 July 2013. The loan is interest bearing, accruable on monthly basis at 7% per annum. The loan is repayable over 5 years on quarterly basis with 6 months moratorium from the date of drawdown. This is secured by a negative pledge over the assets of the company.

| **21 Trade and other payables** | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Trade payables | 591,870 | 638,085 |
| Due to related parties | 1,799,035 | 3,246,038 |
| Other payables | 123,147 | 134,851 |
| Accrual for customer rebates | 98,930 | 77,239 |
| Other accruals | 396,558 | 754,127 |
| | **3,009,540** | **4,850,340** |

| 22 Dividend payable | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| At 1 January | 2,437 | 3,632 |
| Declared during the year | - | - |
| Payment in the year | - | (1,195) |
| At 31 December | **2,437** | **2,437** |

**23 Reconciliation of profit before tax to cash generated from operations**

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Loss before income tax including discontinued operations | (1,115,761) | (445,493) |
| **Adjustments for:** | | |
| -Depreciation of property, plant and equipment (note 12.1) | 2,004,318 | 1,772,979 |
| -Impairment of property, plant and equipment (note 12.1) | 232,168 | - |
| -Amortisation of intangible assets (note 12.2) | 2,697 | 4,412 |
| -Increase in staff gratuity provisions | 58,356 | 64,310 |
| -Interest paid | 208,719 | 171,538 |
| -(Gain)/loss on disposal of property, plant and equipment | (14,858) | 34,645 |
| -Interest received | - | (15,349) |
| Decrease/(increase) in inventories | 272,539 | (399,979) |
| (Increase)/decrease in trade and other receivables | (101,836) | 138,851 |
| (Decrease)/increase in trade and other payables | (1,840,800) | 2,515,243 |
| **Cash (used in)/generated from operations** | **(294,459)** | **3,841,158** |

**Contingent liabilities and commitments**

**24 Legal proceedings**

**(a)** The company has litigation and claims which arose in the normal course of business and they are being contested by the company. The directors, having sought professional legal counsel, are of the opinion that no significant liability will crystallise from these litigations and therefore no provision is deemed necessary for these legal claims. The Company had no contingent liability as at the time of this report.

**(b) Capital commitments**

Non-cancellable operating lease rentals are payable as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Not later than 1 year | 104,942 | 107,785 |
| Later than 1 year but not later than 5 years | 36,568 | 49,813 |
| Later than 5 years | 54,442 | 58,153 |
| | **195,952** | **215,751** |



**25 Related party transactions**

Fan Milk Plc is a subsidiary of Fan Milk International, 99.3% of the share capital of the Company is owned by the (Fan Milk International) and 0.7% is owned by Nigerian individual and corporate investors.

The following transactions were carried out with related parties

**(a) Transactions with related parties**

| Purchase of goods and services | Nature of relationship | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | | N'000 | N'000 |
| Fan Milk International | Immediate parent entity | 302,413 | 209,681 |
| Emidan A/S | Fellow subsidiary of parent entity | 2,650,504 | 2,810,443 |
| Other CBUs | Other related parties | 201,263 | 24,578 |
| | | **3,154,180** | **3,044,702** |

Goods and services are bought from related entities on normal commercial terms and conditions.

**(b) Key management compensation**

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| | N'000 | N'000 |
| Salaries and other short-term employee benefits | 11,467 | 17,200 |
| Post-employment benefits (Gratuity & pension) | - | - |
| | **11,467** | **17,200** |

**(c) Year end balances from sales/purchases of goods and services**

| Payables to related parties | Nature of relationship | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Fan Milk International | Immediate parent entity | 211,136 | 510,841 |
| Emidan A/S | Fellow subsidiary of parent entity | 1,330,530 | 2,622,739 |
| Other CBUs | Other related parties | 257,369 | 112,459 |
| | | **1,799,035** | **3,246,039** |

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

| (d) Loans from related parties | 2017 | 2016 |
|---|---|---|
| | N'000 | N'000 |
| **Loans from Fan Milk International (FMI)** | | |
| At 1 January 2017 | - | - |
| Addition during the year | 3,240,090 | |
| Effects of exchange rate changes | (40,753) | - |
| Loan repayments | - | - |
| At 31 December 2017 | 3,199,337 | - |

**26 Staff numbers and costs**

The average number of persons, excluding directors, employed by the company during the year were as follows:

| | Number | Number |
|---|---|---|
| **Senior Staff** | | |
| Production | 24 | 29 |
| Administrative | 182 | 185 |
| | **206** | **214** |
| **Supervisory/Junior Staff** | | |
| Production | 42 | 46 |
| Administrative | 248 | 278 |
| | **290** | **324** |
| **Total** | **496** | **538** |

The total employee benefits expense in the year comprise the following:

| | 2017 | 2016 |
|---|---|---|
| | N'000 | N'000 |
| Salaries and wages | (1,534,221) | (1,551,694) |
| Medical, welfare and training | (116,857) | (103,071) |
| | **(1,651,078)** | **(1,654,765)** |

The table below shows the numbers of employees, other than employees who discharged their duties wholly or mainly outside Nigeria, who earned over N300,000 in the year.

| | Number | Number |
|---|---|---|
| N300,001 - N500,000 | 46 | 63 |
| N500,001 - N700,000 | 87 | 82 |
| N700,001 - N900,000 | 96 | 91 |
| N900,001 - N1,000,000 | 18 | 17 |
| Above N1,000,000 | 249 | 285 |
| | **496** | **538** |

NOTES TO
FINANCIAL STATEMENTS

| | 2017 | 2016 |
|---|---|---|
| | N'000 | N'000 |
| **Directors emoluments** | | |
| Fees paid to non-executive directors | - | 16,200 |
| Emoluments paid to executive directors | 11,467 | 17,200 |
| Fees of the chairman | 3,600 | 3,240 |
| Emolument of the highest paid director | 11,467 | 17,200 |

The number of Directors whose emoluments fell within the following range are as follows

| | Number | Number |
|---|---|---|
| N100,001 - N300,000 | - | - |
| N300,001 - N500,000 | - | - |
| Above N1,000,000 | 8 | 8 |
| | **8** | **8** |

**27 Compliance with regulatory bodies**

The Company did not contravene any regulation of the Financial Reporting Council Act or any Act issued by any other relevant bodies.

**28 Events after statement of financial position date**

There are no significant events, which could have had a material effect on the state of affairs of the company as at 31 December 2017 that have not been adequately provided for or disclosed in the financial statements.

# STATEMENT OF VALUE ADDED

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | N'000 | % | N'000 | % |
| **Turnover** | 11,752,265 | | 10,959,040 | |
| Other income | 82,279 | | 22,606 | |
| | 11,834,544 | | 10,981,646 | |
| Cost of goods and services | | | | |
| -Local | (3,842,346) | | (3,182,618) | |
| -Imported | (4,493,138) | | (3,666,401) | |
| **Value added** | **3,499,061** | **100** | **4,132,626** | **100** |
| **Distributed as follows:** | | | | |
| **To pay employees** | | | | |
| - Salaries and allowances, pension and welfare | 1,651,078 | 47 | 1,654,765 | 40 |
| **To pay government** | | | | |
| - Company taxation | 7,808 | - | 38,750 | 1 |
| **To pay finance houses and overseas suppliers** | | | | |
| - Interests and bank charges | 956,730 | 27 | 1,206,496 | 29 |
| **To pay providers of capital** | | | | |
| - Dividend | - | - | - | - |
| **Retained for maintenance of assets and future expansion of business** | | | | |
| - Deferred taxation | (242,414) | (6) | (143,277) | (3) |
| - Depreciation of property, plant and equipment & intangible assets | 2,007,015 | 57 | 1,777,391 | 44 |
| - Retained loss for the year | (881,155) | (25) | (401,499) | (10) |
| **Value added** | **3,499,061** | **100** | **4,132,626** | **100** |

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth between employees, government, providers of capital and that retained for the future creation of more wealth.

# FIVE YEAR FINANCIAL SUMMARY

| | 2017 | 2016 | 2015 | 2014 | 2013 | # |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | N'000 | N'000 | N'000 | N'000 | N'000 | |
| Property, plant and equipment | 5,690,379 | 6,157,206 | 5,373,283 | 5,965,751 | 5,623,413 | |
| Deferred tax assets | 363,346 | 317,550 | 208,610 | 200,440 | 198,948 | |
| Intangible assets | 4,467 | 6,586 | 10,997 | 17,163 | 12,022 | |
| **Net current (liabilities)/assets** | **(4,588,124)** | **(3,773,795)** | **(2,880,900)** | **(2,338,484)** | **523,248** | |
| Deferred tax liability | (98,595) | (287,520) | (292,069) | (533,320) | (685,909) | |
| Creditors: Amount due after one year | (929,006) | (1,155,112) | (883,546) | (1,215,360) | (3,038,759) | |
| **Net assets** | **442,466** | **1,264,915** | **1,536,375** | **2,096,190** | **2,632,964** | |
| Ordinary share capital | 499,908 | 499,908 | 499,908 | 499,908 | 499,908 | |
| Share premium reserve | 1,098,865 | 1,098,865 | 1,098,865 | 1,098,865 | 1,098,865 | |
| Revaluation reserve | 403,029 | 362,276 | 362,276 | 362,276 | 362,276 | |
| General reserves | (1,559,336) | (696,134) | (424,674) | 135,141 | 671,915 | |
| **Shareholders' funds** | **442,467** | **1,264,915** | **1,536,375** | **2,096,190** | **2,632,964** | |
| **Profit and loss accounts** | | | | | | |
| Turnover | 11,752,265 | 10,959,040 | 9,450,246 | 9,491,065 | 9,408,633 | |
| (Loss)/profit before taxation | (1,115,761) | (506,027) | (722,822) | (409,590) | 313,538 | |
| Taxation | 234,606 | 104,527 | 205,664 | 36,174 | (139,613) | |
| (Loss)/profit after taxation | (881,155) | (401,499) | (517,158) | (373,416) | 173,926 | |
| Earnings per ordinary share (kobo) - Basic | **(160)** | **(73)** | **(94)** | **(68)** | **32** | |
| Earnings per ordinary share (kobo) - Diluted | **(160)** | **(73)** | **(94)** | **(68)** | **32** | |

Earnings per ordinary share have been computed respectively for each year on the profit /(loss) after tax and divided by the weighted average number of issued No.50 ordinary shares during each year.

# STATISTICAL ANALYSIS OF SHARE HOLDINGS

| SHARE RANGES | Nos. of SHAREHOLDERS | Nos. of SHARES of 50 Kobo | % of Shares Held |
|---|---|---|---|
| 1-5,000 | 94 | 181, 087 | 0.02% |
| 5,001 - 50,000 | 64 | 976,074 | 0.10% |
| 50,001 - 100,000 | 8 | 577, 422 | 0.06% |
| 100,001 - 5,000,000 | 11 | 2,432,166 | 0.32% |
| 5,000,001 - 100,000,000 | 0 | - | 0.00% |
| 100,000,001 - Above | 1 | - | 99.26% |
| TOTAL | 182 | 999,815,518 | 100.00% |

## TYPE ANALYSIS OF MEMBERS

| Shareholders Type | Nos. of Shareholders | Nos. of Shares of 50 Kobo | % of Shares Held |
|---|---|---|---|
| Nigerians | 181 | 7,382,701 | 0.74% |
| Foreigner (with foreign addresses) | 1 | 992, 815, 518 | 99.26% |
| Total | 182 | 992, 815, 518 | 100% |

# FAN MILK PLC
## RC 2761
# PROXY FORM

53RD Annual General Meeting to be held at 12:00 pm
On Tuesday 26th June, 2018
at
Moremi, Sheraton Hotel
Ikeja, Lagos.

I/We

.....................................................................
or failling him, the Chairman of the Meeting as
my/our proxy to act and vote for me/us on
my/our behalf at the Annual General Meeting of the
Company to be held on 26th June 2018. and at any Adjournment thereof.

Dated this..............Day of..............2017

Shareholders' Signature

.............................................................

(Corporation must execute under its common seal)

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| To receive the financial statements | | |
| To elect/re-elect the following:<br>Mr. Kodjo Aziagbe<br>Mr. Carlman Moyo<br>Mr. Olayinka O.Akinkugbe<br><br>To authorise the Directors to fix the auditor's renumeration | | |
| **Special Business** | | |
| To approve the Directors' Renumeration | | |

Please indicate "x" in the appropriate square how you wsh your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will be his discretion to vote or abstain from voting.

NOTES:
I. A member is entitled to attend and vote at the Annual Geeneral Meeting, is entitled to appoint a proxy in his stead. A proxy need not be a member of the Company.

ii. To be valid, all proxies, when completed should be deposited with the Registrars, GTL Registrars Ltd, 247, Murtala Muhammed Way, Alagomeji, Yaba, Lagos.

iii. To reach them not less than 48hours before the time of holding the meeting.
If the shareholders is a Corporation, this Form must be under its seal or under the hand of some officers or attorney duly authorixed in that behalf.

Before posting the above form, please tear off this part and retain it for admission to the meetnig.

FANMILK PLC
ANNUAL GENERAL MEETING

# ADMISSION CARD

PLEASE ADMIT

______________________________________

to the

**53rd**

ANNUAL MEETING OF FAN MILK PLC

which will held, Sheraton Hotel,
Ikeja, Lagos.
On Tuesday, 26 June 2018 at 12.00pm

Name of Shareholder.............................. Signature of Person attending:.................

NOTE:
(a) This admission card must be produced by the shareholder or his proxy to obtain entrance to the Annual General Meeting
(b) Shareholder or their proxies are requested to sign the admission cards at the entrance on the day before attending the meeting

Fan Milk Plc.
Company Secretary
Plot 7 Eleyele Industrial Layout, Ibadan Oyo State. Nigeria

Number of Shares

______________________

FullName and Address of Shareholder

______________________

______________________

______________________

______________________

## FANMILK PLC
## SHAREHOLDERS DATA UPDATE

This is to inform shareholders of FANMILK PLC in our stable to update their personal details such as:

Surname: ..........................................................................................................................

Firstname:.................................................... OtherNames:..................................................................

e-Mail Address:..........................................................................................................................

Primary GSM Number:...................................... Alternative GSM Number.............................................

Clearing House Number(CHN)...........................Bank Verification Number(BVN)..................................

Preferred Stockbroker's Name:..........................................................................................

Date of Birth:..........................................................................................................................

Bank Name:........................................................ Bank Account Number.............................................

Old Address:..........................................................................................................................

New Addresses (to be used for address update)..........................................................................

..........................................................................................................................

Next of Kin:...................................................... Next of Kin Phone Number.......................................

Next of Kin Address: ..........................................................................................................

I/We hereby authorise FANMILK PLC to update my/our shareholding accounts with the above information

.......................................................................... ..........................................................................

Individual Shareholder Joint Shareholder Signature

.......................................................................... ..........................................................................

Corporate Shareholder Company Seal

Affix Current Passport Photograph

## E-DIVIDEND MANDATE ACTIVATION FORM

**Only Clearing Banks are acceptable**

Instruction

Please complete all sections of this form to make it eligible for processing and return to the address below

The Registrar
**GTL REGISTRARS LIMITED**
274 Murtala Muhammed Way, Yaba, Lagos

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my\our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

**Shareholder Account Information**

| **Surname/Company Name** | **First Name** | **Other Names** |
|---|---|---|
| | | |

**Address**

**City** **State** **Country**

**Previous Address (if any)**

**CSCS Clearing House Number**

**Mobile Number 1** **Mobile Number 2**

**Email Address**

**Shareholder's Signature** **Company Seal (If applicable)**

**2nd Signatory (Joint/Company Accounts)**

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: +234-(0)1-2917747, +234-(0)1-2793160-2.

| Tick | Company Name | Shareholders Account No. |
|---|---|---|
| | 11 PLC | |
| | Abplast Products PLC | |
| | Aluminium Extrusion PLC | |
| | Cashchew Nut Processing Industries PLC | |
| | Chellarams PLC | |
| | Christlieb PLC | |
| | DANA Group of Companies PLC Series 1 & 2 | |
| | DN Tyre & Rubber PLC | |
| | Ecobank Transnational Incorporated (Naira) | |
| | Ecobank Transnational Incorporated (USD) | |
| | Ekiti State Bond Tranche 1 & 2 | |
| | EKOCORP PLC | |
| | Ensure Insurance (erstwhile Union Assurance Company Limited) | |
| | Eterna PLC | |
| | FAN Milk PLC | |
| | General Telecoms PLC | |
| | GlaxoSmithKline Nigeria PLC | |
| | Global Biofuel Nigeria Limited | |
| | Great Nigeria Insurance PLC | |
| | Ikeja Hotels PLC | |
| | Impresit Bakolori PLC | |
| | Industrial & General Insurance PLC | |
| | IPWA PLC | |
| | John Holts PLC | |
| | Julius Berger Nigeria PLC | |
| | Kajola Integrated & Investment Company PLC | |
| | Lennard Nigeria PLC | |
| | Local Contractors Receivables Bond Tranche 1, 2 & 3 | |
| | Meyer PLC | |
| | Nestle Nigeria PLC | |
| | Nigeria Cement Company PLC | |
| | Nigeria Reinsurance | |
| | Nigerian Enamelware Company PLC | |
| | Nigerian Lamp & Industries | |
| | Nigerian Wire & Cable PLC | |
| | Okitipupa Oil Palm PLC | |
| | Oluwa Glass Company | |
| | Seven-Up Bottling Company PLC | |
| | The Tourist Company of Nigeria PLC | |
| | Tripple Gee & Company PLC | |
| | UBA Fixed N20 Billion Bond Series 1 Bond | |
| | UBN Property Company PLC | |
| | Unilever Nigeria PLC | |
| | Union Bank of Nigeria PLC | |
| | Union Homes REITS | |
| | Union Homes Savings & Loans PLC | |
| | University Press PLC | |
| | WEMA Bank PLC | |



# Notes

# PHOTO GALLERY