

# 2019 Annual Report



RC 2761  
**FAN MILK PLC**  
(A Danone Company)





**Fan Milk Plc**  
**Annual Report and Financial Statement**  
**for the Year ended 31st December 2019**



# OUR MISSION

BRINGING HEALTH THROUGH FOOD TO AS  
MANY PEOPLE AS POSSIBLE

# Table of Content

Introduction	2
Mission Statement	3
Table of Content	4
Board of Directors	5
Management Team	6
Directors, Professional Advisers and Registered Office	8
Financial Highlights	9
Notice of Annual General Meeting	11-12
Chairman's Statement	13 – 16
Report of the Directors	17 – 19
Report of Audit Committee	20
Independence Auditor's Report	21 - 23
Corporate Governance	24
Corporate Social Responsibilities	26 - 27
Statement of Director's Responsibilities	28
Statement of Profit & Loss and Other Comprehensive Income	29
Statement of Financial Position	30
Statement of Change in Equity	31
Statement of Cash Flows	32
Notes to Financial Statements	33 – 79
Statement of Value Added	80
Five-Year Financial Summary	81
Statistical Analysis of Share Holdings	82
Proxy Form	84
E-Dividend Mandate Form	86
Shareholder Data Update	87



# BOARD OF DIRECTORS & COMPANY SECRETARY



**MR. OLAYINKA. O. AKINKUGBE**  
CHAIRMAN



**MR FERDINAND MOUKO**  
MANAGING DIRECTOR



**MR YEO ZIOBEIETON**  
NON-EXECUTIVE DIRECTOR



**MR. OLIVIER KLEIN**  
NON-EXECUTIVE DIRECTOR



**MR KAYODE ADEBIYI**  
EXECUTIVE DIRECTOR



**DR BABATUNDE A. M AJIBADE (SAN)**  
INDEPENDENT NON-EXECUTIVE DIRECTOR



**MR. OLAKUNLE OLUSANYA**  
COMPANY SECRETARY & LEGAL ADVISER

## Board of Directors

- Mr Yinka Akinkugbe - Chairman
- Mr Ferdinand Mouko - Managing Director
- Mr Yeo Ziobeieton-Non-Executive Director
- Mr. Olivier Klein - Non-Executive Director
- Mr Kayode Adebisi - Executive Director
- Dr Babatunde Ajibade SAN - Independent Non-Executive
- Mr Olakunle Olusanya - Company Secretary&Legal Adviser

# MANAGEMENT TEAM



**MR FERDINAND MOUKO**  
MANAGING DIRECTOR



**MR. TITUS OWOYE**  
FINANCE DIRECTOR



**MR. KAYODE ADEBIYI**  
Executive Director



**MR. OLASUNKANMI OLUMUYI**  
PLANT DIRECTOR



**MRS. JANE ADEDAYO**  
CYCLE & PROCUREMENT MANAGER



**MR. OLUMIDE ADEDIJI**  
HUMAN RESOURCES MANAGER



**MR KOLA ADENIYI**  
MARKETING MANAGER

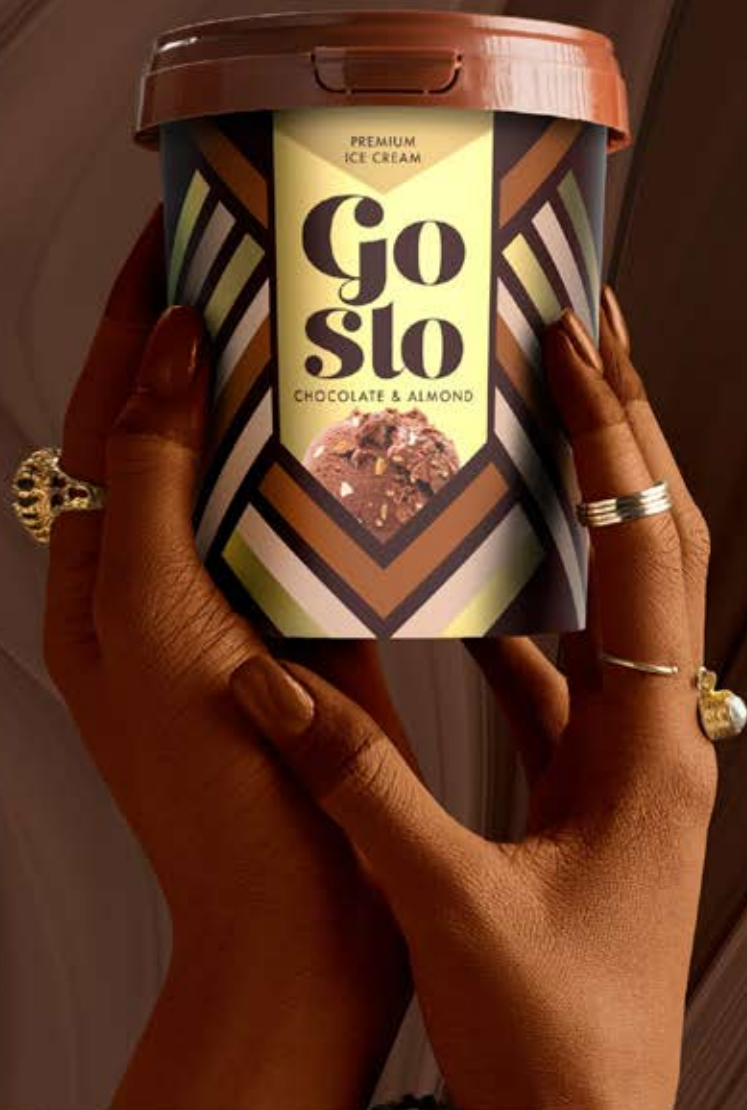


**MR. KAYODE SOWADE**  
HEAD OF SUPPLY CHAIN



**MR. OLAKUNLE OLUSANYA**  
COMPANY SECRETARY & LEGAL ADVISER

t a s t e l i f e s l o



# Directors, Professional Advisers and Registered Office

**Company Registration Number**

RC. 2761

**Chairman**

Mr. Olayinka. O. Akinkugbe

**Managing Director**

Mr. Ferdinand Mouko (Cameroonian) - Appointed on 12 September 2019

**Directors**

Mr. Kayode Adebiyi - Appointed on 12 September 2019

Mr. Olivier Klein (French) - Appointed on 2 December 2019

Mr. Yeo Ziobeieton (Ivorian) - Appointed on 7 February 2019

Dr. Babatunde Ajibade (SAN)

Mr. Leblan Frederic (French) - Resigned on 2 December 2019

Mr. Carlman Moyo (South African) - Resigned on 12 September 2019

Mr. Kodjo Aziagbe (Togolese) - Resigned on 12 September 2019

Mr. Herve Barrere (French) - Resigned on 2 September 2019

Mr. Zahi El Khatib (British) - Resigned on 12 September 2019

**Company Secretary and Registered Office** Olakunle Olusanya

Plot 1C, Eleyele, Ibadan.

Tel: 02-2411021, 2412032

02-2413264, 2413265

**Independent Auditors**

PricewaterhouseCoopers

(Chartered Accountants)

Landmark Towers

5B, Water Corporation Road

Victoria Island

Lagos

**Bankers**

First Bank of Nigeria Plc

Guaranty Trust Bank Plc

Polaris Bank Limited



# FINANCIAL HIGHLIGHTS

	<b>31 December 2019 N'000</b>	<b>31 December 2018 N'000</b>
Revenue from contracts with customers	13,473,589	11,161,366
Profit/(Loss) before taxation	896,275	(147,358)
Income tax (expense)/credit	(434,496)	52,070
Profit/(Loss) for the year	461,779	(95,290)
Total comprehensive loss	461,779	(95,290)
Total equity	3,915,087	3,534,916



So  
Yummy  
So  
Tasty

NEW  
EXCITING  
FLAVOURS



Your number 1  
Ice-cream  
brand



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 55<sup>th</sup> Annual General Meeting of the Members of Fan Milk Plc will be held at Executive Lounge, Radisson Hotel Ikeja, 42/44 Isaac John Street, Ikeja GRA, Lagos on 27<sup>th</sup> August, 2020 at 12.00 noon or so soon thereafter, to transact the following businesses:

(A) ORDINARY BUSINESS

1. To lay before the members, the Reports of the Directors, the Audited Financial Statements for the year ended 31 December 2019 together with the Reports of the Audit Committee and Independent Auditors thereon.
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.

(B) SPECIAL BUSINESS

1. To fix the remuneration of the Directors.
2. Change of Object Clause of the Memorandum of Association of the Company  
To consider and, if thought fit, to pass without modification, the following Resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of section 45 and 46 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004 (including any modifications thereof), the main objects clause of the Memorandum of Association of the Company in Clause 3(b) – (d) thereof be and is hereby altered and amended as follows:
  - I. That the existing Clause 3(b) be substituted with the following:
    - a. To import, yoghurt, water, infant milk formula, cereals, dairy and dairy derivatives, and other plant-based products; and all substances required for the manufacture or production of drink, breast milk substitutes and meal products for infants, growing children and young adults;
  - II. That the existing Clause 3(c) be edited and retained as follows:
    - c. To import powdered milk, vegetable oils, fat of animal origin and all chemical preservatives, flavors and essences and other substances requisite for the manufacture or production of the aforesaid wares and for the manufacture and importation of bottles, jars, cans, cartons or other containers, or materials for the production of such containers for the purpose of such packing as aforesaid;
  - III. That the existing Clause 3(b) and (d) be merged as a new Clause 3(d) as follows:
    - d. To operate haulage for the purpose of production and distribution of the fore mentioned products and materials requisite for their manufacture, and to undertake the business of contract packing using the aforesaid goods or materials;

RESOLVED FURTHER THAT any of the Directors of the Company and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed proper, necessary, or expedient, including making necessary applications at the Corporate Affairs Commission, for the purpose of giving effect to this Resolution and for matters connected therewith or incidental thereto and to settle all questions that may arise in this regard or following directions that may be given by the Corporate Affairs Commission at any stage, without requiring the Board to secure any further consent or approval of the shareholders of the Company."

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 28th July 2020



# NOTICE OF ANNUAL GENERAL MEETING

## NOTES: PROXY

Due to the Covid-19 pandemic and the attendant directives issued by relevant authorities on physical distancing and a limit on the maximum number of persons at a gathering, Shareholders' attendance at this Annual General Meeting shall be by Proxy only in accordance with the Corporate Affairs Commission's "Guidelines on Holding of Annual General Meetings of Public Companies Using Proxies".

A Shareholder entitled to attend and vote at the Meeting can appoint a proxy to attend and vote in his/her stead. The proxy needs not be a shareholder. Consequently, Members are required to appoint a proxy of their choice from the following proxies to represent them at the Meeting:

- (a) Mr. Olayinka Akinkugbe;
- (b) Mr. Ferdinand Mouko;
- (c) Dr. Babatunde Ajibade (SAN);
- (d) Mr. Adekunle Odesanya;
- (e) Ms. Toyosi Kolawole;
- (f) Mr. Peter Eyanaku; and
- (g) Mr. Sam Mpamugo)

A member of the Company entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.

For the appointment to be valid for the purposes of the Meeting, the duly completed proxy forms must be deposited at the office of the Registrars, Greenwich Registrars and Data Solutions Limited, 247 Murtala Muhammed Way, Alagomeji, Yaba Lagos, or sent by e-mail to [proxy@gtlregistrars.com](mailto:proxy@gtlregistrars.com), not later than 48 hours to the meeting. A blank Proxy Form is included in the 2019 Annual Report & Accounts, which will also be available on the Company's website: [www.fanmilk-nig.net](http://www.fanmilk-nig.net) and that of the Registrars, [www.gtlregistrars.com](http://www.gtlregistrars.com). The Company has made arrangements at its cost for stamp duty to be paid on the proxy forms.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members and Transfer Book will be closed from 13<sup>th</sup> to 20<sup>th</sup> of August 2020, 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.

The Securities and Exchange Commission's Code of Corporate Governance for public Companies stipulates that members of the Audit Committee should have basic financial literacy and should be able to read Financial Statements. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

## ELECTRONIC VERSION OF THE ANNUAL REPORT AND ACCOUNTS

The electronic versions of the 2019 Annual Report and Accounts is accessible on the Company's website and also circulated by email to all shareholders' who have provided their email addresses in the shareholders' register. Shareholders who are interested in receiving an electronic copy of the 2019 Annual Report by email should send request to [info@gtlregistrars.com](mailto:info@gtlregistrars.com)

## LIVE STREAMING OF THE ANNUAL GENERAL MEETING

The Annual General Meeting will be streamed live and a link will be provided on the Company's website subsequently for this purpose.

# CHAIRMAN'S STATEMENT

## GROWTH IN REVENUE

# 21%

from N11.16 billion to N13.47 billion

## GROWTH IN PROFITABILITY

# 585%

# N461.8m

Profit for the year improved by 585% from a loss position of (N95.29) million in 2018 to a profit of N461.78 million in 2019.

The board and management came up with innovative strategies to resist threats posed by externalities, thereby improving the business process and delivering improved performance. Profit for the year improved by 585% from a loss position of (N95.29) million in 2018 to a profit of N461.78 million in 2019.

Operating results improved by 280% from N292.62 million in 2018 to N1.11 billion in 2019 through our productivity and cost savings

My dear distinguished Shareholders, My colleagues on the Board, distinguished ladies and gentlemen, it gives me great pleasure and on behalf of the Board of Directors, "the Board" welcome you all to the 55<sup>th</sup> Annual General Meeting (AGM) of our great Company, Fan Milk Plc. It is also my privilege to present to our shareholders the 2019 Annual Report including my address.

On behalf of the Board of Directors, I would like to thank the Shareholders for your continued support to the Board and Management of the Company during the financial year. I will commence my address with a review of the operating environment during the year under review focusing on an overview of the global and local business environment, and how it impacted our performance and conclude by briefly looking ahead to the expectations for the year 2020.

## GLOBAL ECONOMIC ENVIRONMENT

A retrospective view of 2019 reveals that the year kicked off with misgivings about global economic growth, largely due to the some of the setbacks major economies faced towards the end of 2018. The unimpressive forecast for the year became more apparent upon the resumption of retaliatory tariff implementation between the United States and China. The trade war between the two largest economies of the world raised the level of uncertainty about future investment decisions and the direction of the global economy.

With the soft growth momentum, companies scaled down on production and most Central Banks including the Federal Reserve reacted with accommodative policies such as interest rates cuts and quantitative easing to enhance economic



activities. The emerging markets were however not left out of the equation, as country-specific macroeconomic weaknesses, geopolitical tensions, social unrest and political disquiet continued to highlight the structural headwinds that further contributed to the global economic stagnation.

Premised on the foregoing, the emerging economies began to experience reduction in foreign investors' inflows and an expansion in their external borrowing costs as higher premium is demanded to incentivize investors to remain in their markets. Heavy external debts and low productivity continued to put pressure on the emerging markets' currencies.

The oil narrative is another significant mention of 2019. The balance of power play between OPEC+ (OPEC & Russia) and the United States shale producers saw oil price hit a high of \$75 per barrel by half-year but the slow growth conundrum precipitated by the intense trade war and other mentioned factors, depressed the price level to circa \$60pb by end of year – this is in spite of the malicious attack on Saudi oil facilities in September.

Overall, the global environment remained quite volatile with a number of unresolved issues starting from the unyielding trade talks between US and China, tension in the Middle East region, the unsettled Brexit negotiation and its attendant effects, impeachment hearings in the US, imminent recession in large emerging markets etc. All

these events and other unforeseen occurrences will continue to keep investors, financial entities, Governments and Regulators awake even in the coming year 2020

### **NIGERIAN ECONOMIC ENVIRONMENT**

The year under review witnessed some slight positive improvements in Nigeria's macro-economic indices with the Gross Domestic product (GDP) recording a full year growth of 2.27% an improvement on the 1.19% growth recorded in 2018 while the non-oil sector was the driver of growth in the recent past it was the turn of oil sector in 2019 with a 4.59 % growth compared to 0.59% in 2018. Headline inflation rate declined from 12.08% in late 2018 and moderated at between 11.0% -11.4% in the first half of 2019.

On the manufacturing sector, there was a slight growth of 0.77% compared to 2.09% in 2018 and the Food and Beverage and Tobacco sector grew at 2.17% compared to 2.93% in 2018. The rate of the growth in the economy however continues to trend below the population growth rate of about 2.6% thus creating challenges of per capita income and unemployment. The GDP growth has not translated to higher consumer purchasing power. Evidently, impediments to growth in the economy continued to be linked to poor investment confidence, tougher operating environment and weaker consumer wallets, which constrained investment and corporate output growth in the absence of fiscal stimulus.

However, despite the limited positive developments mentioned above with an expansionary fiscal disposition, the Central Bank adopted a loose stance on Monetary Policy. Thus, the first MPC meeting for 2019 saw a reduction in the MPR from 14% to 13.5% to align with the decline in inflation with the decrease in the lending rates by commercial banks with the average lending rate of 15%. The Central Bank of Nigeria (CBN) played a large role in the overall economy, not just in exchange rate and price stability policy, but also in direct lending and trade policy as they mandated commercial banks to target a minimum loan-to-deposit ratio of 65% by December 2019 or maintain higher cash reserves. This was targeted at "encouraging" banks to lend to real sector and boost growth.

In 2019 the high cost of funds continued to hamper

business operations, low purchasing power, growing unemployment, increased poverty rate, poor state of social infrastructures including road and power supply, multiple taxation increased level of insecurity challenges, Lagos port congestion remained the bane of business during the year with major companies struggling with dwindling profits and the risk of business continuity.

### **FAN MILK'S PERFORMANCE**

The year 2019 presented some slight improvement in the Company's performance; which, although progressive, did not majorly impact the business considering the deficient performance in previous years. Nevertheless, we acknowledge the little steps the business took towards recovery. Revenue grew at 21%, from N11.16 billion to N13.47 billion over the preceding year, however, the harsh and turbulent economic situation in the country still remained. The board and management came up with innovative strategies to resist threats posed by externalities, thereby improving the business process and delivering improved performance. Profit for the year improved by 585% from a loss position of (N95.29) million in 2018 to a profit of N461.78 million in 2019.

Operating results improved by 280% from N292.62 million in 2018 to N1.11 billion in 2019 through our productivity and cost savings initiatives. These activities helped to mitigate the impact of inflation, interest rate risk and foreign exchange risk on our business. We were also able to deliver value to our consumers by offering nutritious products at affordable prices bearing in mind the effect deteriorating standard of living and declining disposable income on demand for our products.

During 2019, we also rewarded our long-time outstanding distributors for their continued patronage. It is no news that electric power supply which is the prime resource for our business still presents great challenges in Nigeria. Nevertheless, we delivered improved operating results not only through our efficient and effective cost management and revenue growth but also by partnering and supporting our distributors in many innovative and strategic ways.

The business reported a positive Earnings per share (EPS) of 40 Kobo which is a growth of 600% over 2018 (EPS: (8) Kobo).

The period under review also witnessed the introduction of a premium ice cream, Go Slo, and Fan Prime sachet yoghurt. The two innovations are the first of their kind with promising future for the Company. The following initiatives were also embarked on during the year under review:

- As part of our strategy to grow our brand equity, we introduced FanIce Mint and Vanilla, FanVanille and SuperYogo limited edition to mark 2019 independence day celebration
- Improved Hotspot and vendor management strategy was deployed to grow the outdoor business all-round the year
- FanIce renovation and innovation to fill white spaces and accelerate Indoor business growth.
- To improve distribution, we increased the total sales assets by deploying more in 2019.
- 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

### 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.

### CORPORATE GOVERNANCE

The Company in the period under review continued its drive to engender best business and corporate practices in all spheres of operations. The Company's sustained market reputation for integrity and corporate responsibility remains well entrenched. During the year there was a major change in the shareholding structure for the major shareholder of the Company which is Fan Milk International A/S (FMI). I will start by giving a bit of background. Over the last eight (8) years, FMI underwent a transition with a change in ownership structure. In November 2013 Abraaj Group bought-over 100% shares of FMI, and this led to the change in ownership from the Emborg family who were the original owners. In April 2014 Danone entered into a partnership arrangement with Abraaj to acquire 49% stake while Abraaj held 51% stake in Fan Milk International, with the understanding that Danone could gradually acquire a controlling stake in Fan Milk International. Danone is a French multinational food-products corporation based in Paris and having three core business areas: Essential Dairy and Plant-Based Products (EDP), Water, Specialized Nutrition: Early Life Nutrition (ELN) and Medical Nutrition with presence in over 120 countries and on the 31<sup>st</sup> of July 2019 Danone fully acquired the 100% controlling shares of FMI.

### BOARD OF DIRECTORS

Consequent upon the take over of 100% shareholding

of FMI the following Directors who were nominees of Abraaj resigned from the board name Mr Kodjo Aziagbe (former Chairman) Mr Carlman Moyo and Mr Zahi El-Khatib with effect from the 31<sup>st</sup> of July 2019. Upon the resignation of Mr Kodjo Aziagbe I was appointed the Chairman of the Board. Also during the year, Mr Herve Barrere the former Managing Director and Mr Fredric Leblan also resigned from the Board. On behalf of the Shareholders, Board, Management and all the employees, the Company is grateful for the service and wish them all the best in their future endeavours.

Mr Ferdinand Mouko was appointed during the year as the new Managing Director. He bears an excellent track record on business transformation which we are confident will be beneficial for the growth of our business. Please join me in welcoming Mr Mouko and wishing him all the best as he takes the business to greater heights.

### FUTURE OUTLOOK

As we looked forward to 2020, we were hopeful that Nigeria would grow by 2.3% in the coming year, as projected by the IMF, and that this growth would positively impact us as a business. However, this was before the global pandemonium of the coronavirus and sudden decline of crude oil which is trading at its lowest level since the global crisis of 2008. Nigeria's N10.59Trn Budget was based on crude Oil price at \$57pbl. Revenue generation was at N8.16Trn with a deficit of N2.175Trn of which the deficit is to be financed by both domestic and external borrowings. The consequence of this is that the Naira's relative stability at the FX market will come under strong scrutiny as the external reserves may weaken due to capital flight to safe asset.

While we are aware of the difficulties ahead, our focus remains on identifying and taking advantage of the opportunities in the financial market in order to emerge as a stronger entity in 2020. 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 consumers feedback, the recently launched premium ice cream, Go Slo will add new variants to excite our consumers
- Expansion of the ice cream category flavours outside the legendary vanilla flavour to include banana, chocolate, tiramisu and coconut flavours.
- We also launched Fan prime, a nutritious yoghurt based product, we plan to re-launch pan-Nigeria in the coming year
- Planned investment in additional production lines to improve the production capacity in order to meet up with demand
- Investment in sales assets to accelerate growth.

- Continuation of the 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

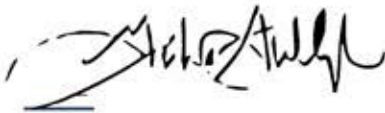
The financial performance of our Company in the year under review was impacted by the factors earlier mentioned in my address. However, I am confident that the strategies being adopted by the Board and Management will put our Company on a sound footing to enjoy growth. We have made deliberate choices in where we are putting our investments as a business—in our brands and in our people. We are confident that these investments will yield dividends and improve shareholder return in the years to come.

#### 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 business approach and solid strategy to drive sustainable growth while delivering strong results.

I will also like to thank my fellow Board Members, the Management team and every employee for their individual and collective contribution for the year gone by and look forward to a prosperous 2020

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



**MR. OLAYINKA. O. AKINKUGBE**  
**CHAIRMAN**





# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019, 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) 99.37% of the share capital of the Company is owned by Danish Dairy Services A/S Denmark and 0.63% is 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:	For the year ended 31 December 2019	
	31 December 2019	31 December 2018
	N'000	N'000
Revenue from contracts with customers	13,473,589	11,161,366
Profit/(Loss) before taxation	896,275	(147,358)
Income tax	(434,496)	52,068
Profit/(Loss) for the year	461,779	(95,290)
Total comprehensive income/(loss) for the year	461,779	(95,290)
Total equity	3,915,087	3,534,916

## Directors

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

Mr. Olayinka. O. Akinkugbe	- Chairman
Mr. Ferdinand Mouko (Cameroonian) - Appointed on 12 September 2019	- Managing Director
Mr. Kayode Adebisi - Appointed on 12 September 2019	- Executive Director
Mr. Olivier Klein (French) - Appointed on 2 December 2019	- Non-Executive Director
Mr. Yeo Ziobeieton (Ivorian) - Appointed on 7 February 2019	- Non-Executive Director
Dr. Babatunde Ajibade (SAN)	- Non-Executive Director
Mr. Leblan Frederic (French) - Resigned on 2 December 2019	- Non-Executive Director
Mr. Carlman Moy o (South African) - Resigned on 12 September 2019	- Non-Executive Director
Mr. Kodjo Aziagbe (Togolese) - Resigned on 12 September 2019	- Non-Executive Director
Mr. Herv e Barrere (French) - Resigned on 2 September 2019	- Executive Director
Mr. Zahi El Khatib (British) - Resigned on 12 September 2019	- Non-Executive Director



# REPORT OF THE DIRECTORS

Since the last AGM the following Directors who were nominees of Abraaj resigned from the board namely Mr. Kodjo Aziagbe (former Chairman) Mr Carlman Moyo and Mr Zahi El- Khatib with effect from the 12 th of September 2019. During the year also Mr. Herve Barrere the former Managing Director and Mr Fredric Leblan also resigned from the Board.

During the year, Mr. Ferdinand Mouko was appointed onto the Board as the new Managing Director, Mr. Olivier Klien was also appointed to the Board as a Non-Executive Director effective 2 nd December 2019, Mr. Yeo Ziobeieton as a Non- Executive Director and Mr. Kayode Adebisi as an Executive Director effective 12 th September 2019 respectively. The Director have now presented themselves to Shareholders for the approval of their appointment, in line with Section 249(1) and (2) of the Companies and Allied Matters Act (CAMA).

In accordance with the Articles of Association of the Company and the provisions of the Companies and Allied Matters Act (CAMA), the Directors to retire by rotation at the forthcoming AGM, are Dr. Babatunde Ajibade (SAN) and Mr. Olayinka Akinkugbe and who, being eligible, have offered themselves for re-election at the meeting.

## Directors' interests

The directors' interests in the capital of the Company are as follows:

Name	31 December 2019		31 December 2018	
	No. of Shares Held		No. of Shares Held	
	Direct	Indirect	Direct	Indirect
Mr. Olayinka. O. Akinkugbe	-	-	-	-
Mr. Ferdinand Mouko (Cameroonian)	-	-	-	-
Mr. Kayode Adebisi	-	-	-	-
Mr. Olivier Klein (French)	-	-	-	-
Mr. Yeo Ziobeieton (Ivorian)	-	-	-	-
Dr. Babatunde Ajibade (SAN)	-	-	-	-
Mr. Leblan Frederic (French)	-	-	N/A	N/A
Mr. Carlman Moyo (South African)	-	-	-	-
Mr. Kodjo Aziagbe (Togolese)	-	-	-	-
Mr. Herve Barrere (French)	-	-	-	-
Mr. Zahi El Khatib (British)	-	-	N/A	N/A

\* N/A - Not applicable.

None of the Directors have either direct or indirect shareholdings in the issued share capital of the Company as recorded in the Register of Members and/or notified the Company for the purpose of Section 275 of the Companies and Allied Matters Act.

## Directors' interest in contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act of any material interest in contracts in which the Company was involved as at 31 December 2019.

## Major 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 MilkInt'l)	1,155,650,318	99.37

# REPORT OF THE DIRECTORS

## **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 staff 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 Nigerian 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



Olakunle Olusanya

FRC/2015/NBA/00000001539

Company Secretary & Legal Adviser

28th July 2020.

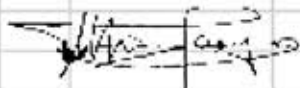
# REPORT OF THE AUDIT COMMITTEE

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 2019 and report as follows:

- a) The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical
- 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 28th day of July, 2020.



Mr. Adekunle Odesanya  
 Chairman, Audit Committee  
 FRC/2014/NIM/000000007270

**Members of the audit committee**

- 1 Mr. Adekunle Odesanya
- 2 Ms. Toyosi Kolawole
- 3 Mr. Peter Eyanaku
- 4 Mr. Olayinka O. Akinkugbe
- 5 Dr. Babatunde A.M. Ajibade, SAN
- 6 Mr. Carlman Moyo





## *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 2019, 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 2019;
- the statement of financial position as at 31 December 2019;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. 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 Directors, professional advisers and registered office, Financial highlights, Report of the directors, Report of the audit committee, Statement of directors' responsibilities, Statement of value added and Five-year financial summary

*PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria*





but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of Fan Milk Plc 2019 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the other sections of the Fan Milk Plc 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *Responsibilities of the directors 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.

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.

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

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



29 July 2020



# CORPORATE GOVERNANCE

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 six (6) members including a Non-Executive Chairman, two Executive Directors, two independent Non-Executive Directors, and one Non-Executive Director.

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 2019 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 three Non-Executive Directors. Mr. Adekunle Odesanya chaired the Committee during the year under review.





Fanmilk  
**Fanlce**

So  
**Yummy**  
So  
**Tasty**

**NEW**  
**250ML**



Your number 1  
**Ice-cream**  
brand

**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 intensified its Compliance programme for all employees to strengthen the internal controls and corporate governance by rolling out the Compliance Fundamental at Danone training for Employees covering key business areas including Code of Business Conduct Policy, Integrity policy and 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 its employees.

**SAFETY HEALTH AND ENVIRONMENT -**

The Company continued the Safety Health and Environmental (SHE) while embedding the WISE (Work In Safe Environment) culture for all employees and people while on Fan Milk sites with a view to preventing work related injuries, understanding the company's risk management process as well as complying 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 intensified with the continuous awareness and training 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 Management Scheme in which both employees and their 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 screened 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 courses to improve the employees skill sets with the ever evolving business environment we currently operate 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 with series of Sales training which took place in 2019. Sales Academy classroom training was carried out across our Sales regions and our vendors were not left out either. Also, field coaching was constantly carried out as a follow up to classroom training to ensure that Sales team are properly equipped and ensuring that our Vendors and Agents understand the key handling requirements of the company's products.

**ONE PLANET ONE HEALTH**

As part of our commitment to protect the environment and actualize our vision of One Planet. One Health; we partnered with Lagos State Ministry for the Environment, Ministry of Education and Lagos State Parks & Gardens Agency to plant 100 trees in commemoration of Danone 100 years anniversary. The tree planting exercise served to replenish earth's resources and beautify the environment on the celebration of the World Environment Day. Additionally, we organised the Independence Day street clean-up event to create awareness for care of the environment



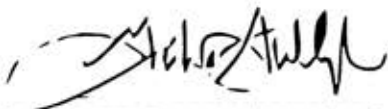
# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. O.O. Akinkugbe**  
Chairman  
FRC/2020/002/00000021130



**Mr. Ferdinand Mouko**  
Managing Director  
FRC/2020/002/00000020991

28th July 2020



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31 December 2019 N'000	31 December 2018 N'000
<b>CONTINUING OPERATIONS</b>			
Revenue from contracts with customers	6	13,473,589	11,161,366
Cost of sales	7	(7,360,160)	(6,730,452)
<b>Gross profit</b>		<b>6,113,429</b>	<b>4,430,914</b>
Distribution expenses	7	(2,972,821)	(2,411,818)
Administrative expenses	7	(2,153,118)	(1,908,806)
Impairment losses on financial assets	14.1	(9,354)	(6,020)
Other income	9	133,310	188,354
<b>Operating profit/(loss)</b>		<b>1,111,446</b>	<b>292,624</b>
Finance income	10	-	13,606
Finance costs	10	(215,171)	(453,588)
<b>Finance costs-net</b>		<b>(215,171)</b>	<b>(439,982)</b>
<b>Profit/(Loss) before tax</b>		<b>896,275</b>	<b>(147,358)</b>
<b>Profit/(Loss) for the year</b>		<b>461,779</b>	<b>(95,290)</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss			
Deferred tax credit from other reserves on land	11	-	-
Actuarial gain/(loss) on post employment benefit obligations (net of tax)	11	-	-
<b>Other comprehensive loss for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Income/(Loss) attributable to:</b>			
Owners of the company		461,779	(95,290)
<b>Total comprehensive income/(loss) attributable to:</b>		<b>461,779</b>	<b>(95,290)</b>
Owners of the company		461,779	(95,290)
<b>Income/(Loss) per share</b>		<b>461,779</b>	<b>(95,290)</b>
Basic (kobo)	17	40	(8)
Diluted (kobo)	17	40	(8)

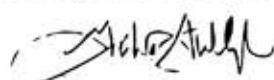
The accounting policies and notes on pages 15 to 58 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

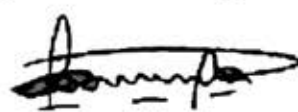
	Note	31 December 2019 N '000	31 December 2018 N '000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	12.1	5,503,423	5,484,427
Intangible assets	12.2	4,745	6,334
Deferred tax asset	18	252,173	223,970
<b>Total non-current assets</b>		<b>5,760,341</b>	<b>5,714,731</b>
<b>Current assets</b>			
Deferred tax asset	18	20,572	188,628
Inventories	13	2,592,803	1,382,601
Trade and other receivables	14	778,586	827,003
Cash and cash equivalents	15	859,553	65,253
<b>Total current assets</b>		<b>4,251,514</b>	<b>2,463,485</b>
<b>Total assets</b>		<b>10,011,855</b>	<b>8,178,216</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	18	154,132	41,609
Employment benefit obligations	19	671,635	578,689
Borrowings	20	-	61,753
<b>Total non-current liabilities</b>		<b>825,767</b>	<b>682,051</b>
<b>Current liabilities</b>			
Borrowings	20	459,007	619,592
Trade and other payables	21	4,108,232	2,990,778
Contract liabilities	6	434,418	291,092
Dividend payable	22	2,437	2,437
Current income tax liabilities	11	185,298	57,350
<b>Total current liabilities</b>		<b>5,189,392</b>	<b>3,961,249</b>
<b>Total liabilities</b>		<b>6,015,159</b>	<b>4,643,300</b>
<b>Net assets</b>		<b>3,996,696</b>	<b>3,534,916</b>
<b>EQUITY</b>			
Ordinary share capital	16	581,517	581,517
Share premium	16	4,241,575	4,241,575
Other reserve		362,276	362,276
General reserve or accumulated loss		(1,188,672)	(1,650,452)
<b>Total equity</b>		<b>3,996,696</b>	<b>3,534,916</b>
<b>Total equity and liabilities</b>		<b>10,011,855</b>	<b>8,178,216</b>

The accounting policies and notes on pages 15 to 58 form an integral part of these financial statements.

The financial statements and notes on pages 11 to 60 were approved for issue by the board of directors on \_\_\_\_ July 2020 and signed on its behalf by:



Mr. O.O. Akinkugbe  
Chairman



Mr. Titus Owocye, FCA  
Finance Director



Mr. Ferdinand Mouko  
Managing Director

## STATEMENT OF CHANGES IN EQUITY

<b>Balance at 1 January 2018</b>	<b>499,908</b>	<b>1,098,865</b>	<b>362,276</b>	<b>(1,514,408)</b>	<b>446,641</b>
Loss for the year	-	-	-	(95,290)	(95,290)
Loan converted to equity	81,609	3,182,742	-	-	3,264,351
Exchange gain on quasi-equity loan	-	-	-	(40,753)	(40,753)
Share issue transaction costs	-	(40,032)	-	-	(40,032)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>81,609</b>	<b>3,142,710</b>	<b>-</b>	<b>(136,043)</b>	<b>3,088,276</b>
<b>At 31 December 2018</b>	<b>581,517</b>	<b>4,241,575</b>	<b>362,276</b>	<b>(1,650,452)</b>	<b>3,534,917</b>
Change in accounting policy	-	-	-	-	-
<b>At 1 January 2019</b>	<b>581,517</b>	<b>4,241,575</b>	<b>362,276</b>	<b>(1,650,452)</b>	<b>3,534,917</b>
Profit for the year	-	-	-	461,779	461,779
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461,779</b>	<b>461,779</b>
<b>At 31 December 2019</b>	<b>581,517</b>	<b>4,241,575</b>	<b>362,276</b>	<b>(1,188,672)</b>	<b>3,996,696</b>

## STATEMENT OF CASH FLOWS

	Note	31 December 2019 N '000	31 December 2018 N '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	3,040,575	2,331,007
Income taxes paid	11	(54,170)	(6,853)
Post employment benefits paid	19	(21,612)	(71,713)
<b>Net cash inflow from operating activities</b>		<u>2,964,793</u>	<u>2,252,441</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12.1	(1,762,370)	(1,822,055)
Interest received	10	-	5,837
Proceeds from disposal of property, plant and equipment	23.1	14,111	134,552
Purchase of intangible assets	12.2	-	(4,802)
<b>Net cash outflow from investing activities</b>		<u>(1,748,259)</u>	<u>(1,686,468)</u>
<b>Cash flows from financing activities</b>			
Interest paid	10	(50,415)	(123,316)
Repayment of borrowings		(207,686)	(391,581)
Payment of principal portion of lease		(37,380)	
Share issue expenses		-	(40,032)
<b>Net cash outflow from financing activities</b>		<u>(295,481)</u>	<u>(554,929)</u>
<b>Net increase in cash and cash equivalents</b>		921,053	11,044
Cash and cash equivalents at the beginning of the year	15	<u>(226,422)</u>	<u>(237,466)</u>
<b>Cash and cash equivalents at the end of year</b>	15	<u>694,631</u>	<u>(226,422)</u>

The accounting policies and notes on pages 15 to 58 form an integral part of these financial statements.



# NOTES TO THE 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 individuals and corporate investors. Fan Milk Plc is a public unlisted company but its shares are tradeable on NASD.

## 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.

### 2.1 Basis of preparation

The financial statements for the year ended 31 December 2019 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. 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 are presented in Nigerian Naira, rounded to the nearest thousand.

#### 2.1.1 Going concern

The financial statements have been prepared on a going concern basis, although the Company had a net profit of N461.8million (2018: Net loss N95.3million) for the year ended 31 December 2019 and had a net current liability of N0.9 billion (2018: 1.5 billion) as at 31 December 2019. The Company relies mainly on Emidan A/S - its sister company for imported raw materials.

Fan Milk Nigeria had significant increase in sales during the year which is due to the relaunch of FanVanille and introduction of FanUp in prior year. The company experienced major month on month increase in sales performance.

The company carried out a relaunch of the FanVanille product range and introduced a new product (Fan Up) in prior year which in turn significantly improved the sales performance of the company in 2019 where the company saw significant month on month increases in sales performance .

In current year, Fan Milk Nigeria also introduced new products in the ice cream variant called Go Slo in the year which are expected to raise sales levels and also there are plans to introduce the valorised diary products into the Nigerian Market within the next two years.

The directors have no doubt that the Company will remain in existence after 12 months.

#### 1.1.1 Changes in accounting policies and disclosures

##### 2.1.1.1 New and amended standards adopted by the Company

The Company has applied IFRS 16 Leases with a date of initial application of 1 January 2019 and has changed its accounting policies for lease contracts. The Company has applied IFRS 16 using the modified retrospective approach

# NOTES TO THE FINANCIAL STATEMENTS

explained below.

**a. Leases - Accounting Policy from 1 January 2019**

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The company's leases include plots of land and buildings (office space). Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease terms range from 2 years to 37 years. The lease agreements do not impose any covenants - however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The company has elected to separate lease and non-lease components and treat them accordingly.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## I Changes in accounting policies

### Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16: Leases on the company's financial statements.

The Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 January 2019. As a result, there was no impact on retained earnings. The new accounting policies are disclosed in note 1.

### Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

### Impact on the financial statements

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the each lease contract on 1 January 2019 ranged from 22.24%-24.52% depending on the location of the asset and the asset type.

	<b>N'000</b>
Operating lease commitments disclosed as at 31 December 2018	-
Add: adjustments as a result of a different treatment of extension and termination options	39,849
	<b>39,849</b>
Lease liabilities recognised as at 1 January 2019	<b>39,849</b>
Current lease liabilities	37,851
Non-current lease liabilities	1,998
	<b>39,849</b>

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<b>31 Dec 2019</b>	<b>1 Jan 2019</b>
	<b>N'000</b>	<b>N'000</b>
Buildings	130,845	151,116
Total Right-of-use assets	<b>130,845</b>	<b>151,116</b>

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. The adoption of IFRS 16 had a nil impact on opening equity as at 1 January 2019.

## NOTES TO THE FINANCIAL STATEMENTS

	As at 31 December 2018 N'000	Impact of IFRS 16		As at 1 Jan 2019 N'000
		Reclassification N'000	Remeasurement N'000	
<b>Assets</b>				
Right-of-use assets	-	111,267	39,849	151,116
Prepayment	111,267	(111,267)	-	-
<b>Liabilities</b>				
<b>Non-current</b>				
Lease liabilities	-	-	1,998	1,998
<b>Current</b>				
Lease liabilities	-	-	37,851	37,851

### 2.1.2 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 2019, and have not been applied in preparing these financial statements. Management is yet to assess the effect of the following standards on the financial statements of the Company.

#### a. IFRS 17 - Insurance Contracts effective for annual periods beginning 1 January 2021

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS4 Insurance Contracts. The standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cashflows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policy holders' options and guarantees. The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater coordination between many functions of the business, including finance, actuarial and IT. It is effective for annual periods beginning on or after 1 January 2021. The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its financial statements.

#### b. Conceptual framework for financial reporting - Revised

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. It is effective for annual periods beginning on or after 1 January 2020. The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its financial statements.

### Foreign 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. 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within operating expenses.

**2.3 Property, plant and equipment**

Leasehold 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 less accumulated depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

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 profit or loss during the financial period in which they are incurred.

Assets under construction are carried at cost less any recognised impairment loss. Cost directly related to the project and incremental costs 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.

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

	%
Buildings	2
Plant and machinery	10
Furniture and fittings	20
Milk crates	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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the estimated selling price in the ordinary course of business less costs to sell and value in use. Impairment losses and reversal of previously recognised impairment losses are recognised within "operating expense" in profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income or other expenses - net' in profit or loss.

**2.4 Intangible 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.

## 2.5 Impairment 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 pre-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.

## 2.6 Inventories

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. 'Goods in transit' and 'non trade stocks' are valued at invoice price together with other directly attributable charges. 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.

## 2.7 Financial assets

### 2.7.1 Classification and measurement

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

- **Amortised cost:** Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost.
- **Fair value through other comprehensive income:** Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.
- **Fair value through profit or loss:** This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value.

**Solely Payments of Principal and Interest:** Where the business model is to collect contractual cash flows and held to collect and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The business model for the Company's financial assets are held to collect contractual cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest ((for interest bearing financial assets).

The Company's financial assets include trade and other receivables, cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

## **2.8 Financial Liabilities**

### **2.8.1 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

### **2.8.2 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 profit or loss over the period of the borrowings using the effective interest method.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of the Effective Interest rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The EIR amortisation is included in interest expense in the statement of profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

## **2.9 Impairment of financial assets**

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost under IFRS 9: Financial instruments. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions. The simplified approach is applied for trade receivables while the general approach is applied to staff debtors, amounts due from related parties and cash at bank.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and assessing the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount outstanding at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the Gross Domestic Product (GDP) in Nigeria and inflation rate, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.



The Company holds the following financial instruments as at 31 December 2019:

	2019 N'000	2018 N'000
<i>Financial assets at amortised cost</i>		
Trade receivables	397,006	273,246
Related party receivables	195,556	99,518
Staff debtors	45,785	30,470
Cash and cash equivalents	<u>859,553</u>	<u>65,253</u>
	<b>1,497,900</b>	<b>468,487</b>
<i>Financial liabilities at amortised cost</i>		
Bank borrowings	294,085	389,670
Overdraft	164,922	291,675
Trade and other payables	<u>4,108,233</u>	<u>2,990,778</u>
	<b>4,567,240</b>	<b>3,672,123</b>

### Trade Receivables

The trade receivables represent the amount receivable from its customers for sale of goods. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed according to the behavior of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The expected loss rates as at 31 December 2019 are as follows:

Age of receivables	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Gross carrying amount	392,619	1,519	2,933	935	23,602	421,608
Default rate	0.17%	8.76%	24.58%	36.95%	96.33%	
Lifetime ECL	(667)	(133)	(721)	(345)	(22,736)	(24,602)
<b>Total</b>	<b>391,952</b>	<b>1,386</b>	<b>2,212</b>	<b>590</b>	<b>866</b>	<b>397,006</b>

### Staff debtors

This requires a three-stage approach in recognising the expected loss allowance for staff debtors. The Company assessed the staff debtors to determine the expected credit loss. Based on this assessment, the identified expected loss on the carrying amount of staff debtors as at 31 December 2019 and 31 December 2018 is considered insignificant and has not been recognised. Staff debtors are assessed to be in stage 1.

### Amounts due from related parties

This requires a three-stage approach in recognising the expected loss allowance for amounts due from related parties. The Company assessed the amounts due from related parties to determine the expected credit loss. Based on this assessment, the identified expected loss on this amount as at 31 December 2019 is considered to be insignificant. Amounts due from related parties are assessed to be in stage 1.

### Cash and cash equivalents

This requires a three-stage approach in recognising the expected loss allowance for cash and cash equivalents. The Company assessed the cash and cash equivalents to determine the expected credit loss. Based on this assessment, the identified expected loss on cash as at 31 December 2019 is considered to be insignificant. Cash and cash equivalent are assessed to be in stage 1.

## 2.11 Income and deferred tax

The tax expense for the period comprises income and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

### (a) Current tax

Income tax is calculated on the basis of the applicable tax laws enacted or substantially enacted in Nigeria by the date of the statement of financial position and is recognised as an expense/(income) for the period.

Where the company has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The company does not offset income tax liabilities and current income tax assets.

### (b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted in Nigeria by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arises from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-employment benefits and carry-forward losses.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value re-measurement of equity instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in profit or loss together with the deferred gain or loss.

## 2.12 Employee benefits

The Company operates both defined contribution and defined benefit retirement benefit scheme for its employees.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### (a) Defined contribution plan

In line with the Pension Reform Act 2004, the company operates a defined contribution scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the company contributes 8% and 10% of the employee's basic, transport and rent allowances respectively. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## (b) Defined benefit plan

## (i) Gratuity scheme

The company operates a non-contributory defined benefits scheme. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension obligation.

Current service costs represents the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The net interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

## (ii) 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. The liability recognised in the balance sheet in respect of the awards is the present value of the long service award at the end of the financial reporting period less the fair value of the long service award's assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The long service award obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the long service award is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related long service award liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in profit or loss. This cost is included in employee benefit expense in the statement of profit or loss.

**2.13 Leases**

Leases in which significant portion of the risks and reward of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentive received from lessor) are charged to profit or loss on a straight line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between financing charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's policy or borrowing costs.

Property, plant and equipment acquired under finance leases are depreciated over the useful life of such assets. Payments

#### 2.14 Finance Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### 2.15 Finance Cost

Finance cost comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### 2.16 Statement Of Cash Flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit 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.

The cash flows from investing and financing activities are determined by using the direct method.

#### 2.17 Provision, Contingent Liabilities and Assets

Provisions are liabilities that are uncertain in amount and timing. Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or the company has a present obligation as a result of a past event that is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount can not be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a

liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised but they are disclosed in the financial statement when they arise.

## 2.18 Share capital

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded as share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

### (a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

### (b) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act.

## 2.19 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/accumulated loss:** Accumulated loss comprise the loss from previous years, which have not been reclassified to the other reserves. The general reserve also shows the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on employee gratuity after deduction of deferred taxes.

## NOTES TO THE FINANCIAL STATEMENTS

**Other reserve:** Other reserve shows increase and decrease on the revaluation of non-current assets prior to the conversion of the Company's accounting standard to International Financial Reporting Standards. On conversion, the cost and revaluation surplus of non-current assets was taken as deemed cost and no subsequent revaluations have taken place. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. Gains or losses are not recognised in profit or loss

## 2.20 Revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product

	Sale of diary products	Sale of ice cream	Sale of juice	Total
	N'000	N'000	N'000	N'000
<i>Point in time</i>	9,253	3,576	644	13,474

The company does not generate revenue from any goods or services to be recognised over time.

### **Significant changes in contract assets and liabilities**

The Company has recognised the following liabilities related to contracts with customers

Contract liabilities - customer deposits	105,478
Contract liabilities - rebates	328,940
	<b>434,418</b>

### **Accounting policies and significant judgements**

#### **Revenue recognition**

The Company recognises revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods.

It is the Company's policy to recognize revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. The probability that a customer would make payment (collectability criteria) is ascertained based on the Company's internal risk assessment conducted for customers as stated in the credit management policy.

#### **Definition of a customer**

A customer is a party that has contracted with the Company to obtain goods that are an output of the entity's ordinary activities in exchange for consideration.

#### **Identification of performance obligation**

At inception, the Company assesses the goods stated in the invoice sent to a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled.

### **Accounting policies and significant judgements**

#### **Revenue recognition**

The Company recognises revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods.

It is the Company's policy to recognize revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. The probability that a customer would make payment (collectability criteria) is ascertained based on the Company's internal risk assessment conducted for customers as stated in the credit management policy.

**Definition of a customer**

A customer is a party that has contracted with the Company to obtain goods that are an output of the entity's ordinary activities in exchange for consideration.

**Identification of performance obligation**

At inception, the Company assesses the goods stated in the invoice sent to a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled.

**Sale of goods**

The Company manufactures and sells dairy products, ice cream and juice. Sales are recognised at a point in time when control of the products has been transferred, being when the products are delivered to the wholesaler or when the wholesaler picks up the goods from the entity's premises, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

**Right of return**

It is the Company's policy to allow customers to return products after delivery within a certain time frame based on quality issues. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The expected refunds to customers was assessed to be 0.04% of revenue which is considered to be immaterial.

**Recognition of contract assets and liabilities**

Fan Milk Plc presents contract assets and liabilities in the statement of financial position to reflect the requirements of IFRS 15. As at 31 December 2019, contract liabilities of N3.96 million (2018: 291.09 million) has been recorded. This relate to advance payments from customers and also volume rebates earned by vendors and customers both of which can be used as consideration for purchase of goods.

**Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**2.21 Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3. Financial Risk Management

#### 3.1 Introduction and Overview

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial statements. Risk management is carried out by management of the Company under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks. All of the company's financial assets and liabilities are carried at amortised cost.

#### 3.2 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the company. Credit risk arises from cash and cash equivalents, and current account balances with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions.

Risks limits are set based on internal and external ratings in accordance with limits set by the Company's finance department.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### 3.2.1 Management of credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade receivables. Trade receivables are mainly derived from sales to customers.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Nigeria. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, impairment is made following the new IFRS 9 standards. As at December 31, 2019 management was unaware of any significant unprovided credit risk.

##### 3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements

The Company's maximum exposure to credit risk at 31 December 2019 and 31 December 2018 respectively, is represented by the net carrying amounts of the financial assets in the statement of financial position.

	31 December 2019	31 December 2018
Trade receivables (Gross)	421,608	302,662
Related party receivables	195,556	99,518
Staff debtors	45,785	30,470
Cash and cash equivalents	859,553	65,253
<b>Gross amount</b>	<b>1,522,501</b>	<b>497,903</b>
Impairment of financial assets (note 14.1)	(24,602)	(29,416)
<b>Net amount</b>	<b>1,497,899</b>	<b>468,487</b>
<b>Reconciliation of gross carrying amount of trade receivables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Gross carrying amount as at 1 January	302,662	358,673
Revenue from contracts with customers	13,473,589	11,161,366
Receipts from customers	(13,340,475)	(11,200,606)
Receivables written off as uncollectible	(14,168)	(16,771)
Gross carrying amount as at 31 December	<b>421,608</b>	<b>302,662</b>



**Due from related parties**

Amounts due from related parties arise as a result of expense incurred on behalf of related parties that are expected to be reimbursed. The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on amounts due from related party as they do not meet the criteria for applying the simplified approach. The general model uses a three-stage approach in recognising the expected loss allowance. The expected credit losses on related party receivables was insignificant and the loss allowance was deemed immaterial.

**Staff loans**

The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on its staff loans. The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on staff loans as they do not meet the criteria for applying the simplified approach.. The general model uses a three-stage approach in recognising the expected loss allowance. The expected credit losses on staff loan was insignificant and the loss allowance was deemed immaterial.

**Cash and cash equivalents**

The Company also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses on cash as at 1 January 2019 and 31 December 2019 to be insignificant, as the loss rate is deemed immaterial. Cash are assessed to be in stage 1.

**Credit quality of cash and cash equivalents**

	<b>31 December 2019 N'000</b>	<b>31 December 2018 N'000</b>
Credit quality derived using external credit rating		
A+	78,428	6,756
A-	5,196	-
AA	-	52
AAA+	314,725	22,578
B+	58	-
B	147,762	5,192
B-	55,038	-
BBB	-	44
BBB-	-	12,671
Non-rated	258,346	17,960
	<b>859,553</b>	<b>65,253</b>

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

**3.2.4 Credit concentrations**

There is no concentration of credit risk with respect to trade and other receivables as the Company has a large number of customers which are dispersed within Nigeria.

### 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.

#### 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:

	<u>31 - 90 days</u>			<u>91 - 180 days</u>	<u>181 - 365 days</u>	Over 1 year but less than <u>5 years</u>	<u>Total</u>
31 December 2019 (N'000)							
Financial liabilities							
Borrowings							
Bank borrowings	24,564	130,066			139,455	-	294,085
Bank overdraft	164,922	-			-	164,922	Trade and
other payables					3,043,604	3,043,604	<u>Total</u>
financial liabilities	<u>189,486</u>	<u>130,066</u>	<u>3,183,059</u>		<u>3,502,611</u>		
	<u>31 - 90 days</u>			<u>91 - 180 days</u>	<u>181 - 365 days</u>	Over 1 year but less than <u>5 years</u>	<u>Total</u>
31 December 2018 (N'000)							
Financial liabilities							
Borrowings							

**3.2.3 Expected credit loss****Trade receivables**

The company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which calculates a lifetime expected loss allowance (ECL) for its trade receivables. The expected credit losses on trade receivables as at 1 January 2019 and 31 December 2019 and the average loss rate are shown in note 2.9.

**Estimation uncertainty in measuring impairment loss**

In establishing sensitivity to ECL estimates for trade receivables, two variables (GDP growth rate and Inflation rate) were considered. Of these variables, the Company's receivables portfolio reflects greater responsiveness to inflation rates.

The table below shows information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. Changes to these methods, assumptions and estimates may result in material adjustments to the carrying amounts of the Company's financial assets.

**a. Expected cash flow recoverable:**

The table below demonstrates the sensitivity to a 20% change in the expected cash flows from trade receivables, with all other variables held constant:

	<b>Effect on profit before tax 2019</b>
	<b>N'000</b>
Increase/decrease in estimated cash flows	
+20%	4,920
-20%	(4,920)

**b. Forward looking macro-economic variables:**

This table shows the sensitivity of the expected credit loss to changes in each forward-looking macro variables, with all other variables held constant:

		<b>31 December 2019</b>
		<b>N'000</b>
<b>Increase / decrease in inflation rate</b>		
Increase	+10%	(12,786)
Decrease	-10%	12,786
<b>Increase / decrease in GDP growth rate</b>		
		<b>31 December 2019</b>
		<b>N'000</b>
Increase	+10%	(15)
Decrease	-10%	13

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 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:

<b>31 December 2019</b> (N'000)	<b>31 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 365 days</b>	<b>Over 1 year but less than 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>					
<b>Borrowings</b>					
Bank borrowings	24,564	130,066	139,455	-	294,085
Bank overdraft	164,922	-	-	-	164,922
Trade and other payables	-	-	3,043,604	-	3,043,604
<b>Total financial liabilities</b>	<b>189,486</b>	<b>130,066</b>	<b>3,183,059</b>	<b>-</b>	<b>3,502,611</b>

<b>31 December 2018</b> (N'000)	<b>31 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 365 days</b>	<b>Over 1 year but less than 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>					
<b>Borrowings</b>					
Bank borrowings	24,564	130,066	173,287	61,753	389,670
Loans from related parties	-	-	-	-	-
Bank overdraft	291,675	-	-	-	291,675
Trade and other payables	-	-	2,532,680	-	2,532,680
<b>Total financial liabilities</b>	<b>316,239</b>	<b>130,066</b>	<b>2,705,967</b>	<b>61,753</b>	<b>3,214,025</b>

### 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.

<b>31 December 2019</b> (N'000)	<b>Carrying amount</b>	<b>Variable interest</b>	<b>Fixed interest</b>	<b>Non interest- bearing</b>
<b>Assets</b>				
Trade and other receivables	687,615	-	-	687,615
Cash and cash equivalents	859,553	-	859,553	-
	<b>1,547,168</b>	<b>-</b>	<b>859,553</b>	<b>687,615</b>

## NOTES TO THE FINANCIAL STATEMENTS

**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.

**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:

	<b>31 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 365 days</b>	<b>Over 1 year but less than 5 years</b>	<b>Total</b>
<b>31 December 2019</b> (N'000)					
<b>Financial liabilities</b>					
<b>Borrowings</b>					
Bank borrowings	24,564	130,066	139,455	-	294,085
Bank overdraft	164,922	-	-	-	164,922
Trade and other payables	-	-	3,043,604	-	3,043,604
<b>Total financial liabilities</b>	<b>189,486</b>	<b>130,066</b>	<b>3,183,059</b>	<b>-</b>	<b>3,502,611</b>
	<b>31 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 365 days</b>	<b>Over 1 year but less than 5 years</b>	<b>Total</b>
<b>31 December 2018</b> (N'000)					
<b>Financial liabilities</b>					
<b>Borrowings</b>					
Bank borrowings	24,564	130,066	173,287	61,753	389,670
Loans from related parties	-	-	-	-	-
Bank overdraft	291,675	-	-	-	291,675
Trade and other payables	-	-	2,532,680	-	2,532,680
<b>Total financial liabilities</b>	<b>316,239</b>	<b>130,066</b>	<b>2,705,967</b>	<b>61,753</b>	<b>3,214,025</b>

**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.

## NOTES TO THE FINANCIAL STATEMENTS

Bank overdraft	291,675	-	291,675	-
Trade and other payables	2,990,778	-	-	2,990,778
	<b>3,672,123</b>	-	<b>681,345</b>	<b>2,990,778</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Effect of 100 basis points movement on profit before tax (N'000)	-	-

### 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 CFA, Euro 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.

<b>31 December 2019 (N'000)</b>	<b>1,478,894</b>		<b>1,200,311</b>
	<b>Euro</b>	<b>CFA</b>	<b>Dollar</b>
<b>Assets</b>			
Trade and other receivables	-	-	-
Cash and cash equivalents	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>			
Bank borrowings	-	-	-
Bank overdraft	-	-	-
Trade and other payables	667	29,447	5,109
<b>Total</b>	<b>667</b>	<b>29,447</b>	<b>5,109</b>
<b>31 December 2018 (N'000)</b>	<b>Euro</b>	<b>CFA</b>	<b>Dollar</b>
<b>Assets</b>			
Trade and other receivables	-	-	1,500
Cash and cash equivalents	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,500</b>
<b>Liabilities</b>			
Bank borrowings		-	-

## NOTES TO THE FINANCIAL STATEMENTS

**31 December 2019 (N'000)****Assets**

Trade and other receivables  
Cash and cash equivalents

**Total****Liabilities**

Bank borrowings  
Bank overdraft  
Trade and other payables

**Total****31 December 2018 (N'000)****Assets**

Trade and other receivables  
Cash and cash equivalents

**Total****Liabilities**

Bank borrowings  
Trade and other payables

**Total**

	<b>Euro</b>	<b>CFA</b>
	-	-
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
	-	-
	-	-
	667	29,447
<b>Total</b>	<b>667</b>	<b>29,447</b>
	-	-
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
	-	-
	956	4,984
<b>Total</b>	<b>956</b>	<b>4,984</b>

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Effect of 1% movement in EUR on profit before tax (N'000)	-	-
Effect of 1% movement in USD on profit before tax (N'000)	15,557	-
Effect of 1% movement in CFA on profit before tax (N'000)	140	-
	<b>15,697</b>	

**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 (2017: 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.

Fair value of all the financial instruments at amortised cost are at level 3.

**3.6 Financial instruments measured at amortised cost**

	At 31 December 2019		At 31 December 2018	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
<b>Financial assets</b>				
Cash and cash equivalents	859,553	859,553	65,253	65,253
Trade and other receivables	687,615	687,615	509,790	509,790
	<b>1,547,168</b>	<b>1,547,168</b>	<b>575,043</b>	<b>575,043</b>
<b>Financial liabilities</b>				
<b>Borrowings</b>				
Bank borrowings	- 288,228	- 288,228	389,670	395,096
Bank overdraft	164,922	164,922	291,675	291,675
Trade and other payables	3,043,604	3,043,604	2,532,680	2,532,680
	<b>2,920,298</b>	<b>2,920,298</b>	<b>3,214,025</b>	<b>3,219,451</b>

**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:

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
Debt (note i)	459,007	681,345
Cash and cash equivalents	(859,553)	(65,253)
<b>Net debt</b>	<b>(400,546)</b>	<b>616,092</b>
Equity (note ii)	3,915,087	3,534,916
<b>Net debt to equity</b>	<b>(10%)</b>	<b>17%</b>

Note i: Debt is defined as long and short term borrowings.

Note ii: Capital includes all capital and reserves of the company.

**Loan covenants**

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants:

- The Company shall not mortgage, pledge or subject to any lien or encumbrance any of the Company's properties and assets now owned without either securing the banks outstanding on a pari-passu basis or giving other security acceptable to the bank.

- The Company shall provide the bank with a copy of its audited statement of financial position and profit or loss accounts within 120 days of the end of the financial year.

- The Company shall submit a copy of its quarterly management accounts within 60 days of the end of the quarter and audited accounts within 120 days of the end of the financial year.

The Company complied with these covenants in the year 2019 and 2018.

**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 Employee benefit obligations**

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 employee 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.

**5.2 Impairment of financial assets**

The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss rate for trade receivable is determined using a provision matrix approach.

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 2.1.1.

Additional information on impaired receivables is included in note 14.1.

**5-3 Useful life of plant and machinery**

Plant and machinery is depreciated over its useful life. The Company estimates the useful lives of plant and machinery based on the period over which the assets are expected to be available for use. The estimation of the useful lives of plant and machinery are based on technical evaluations carried out by those staff with knowledge of the machines and experience with similar assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

**5-4 Revenue recognition****Significant financing component**

The Company has contracts with customers that requires advance payment to be made before sale of goods can occur. The Company has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

- a. The difference, if any, between the amount of promised consideration and cash selling price and;
- b. The combined effect of both the following:
  - The expected length of time between when the Company transfers the goods to their customers and when payment is received;
  - The prevailing interest rate in the relevant market.

The advance period is less than 12 months, usually within 30 days. As a result, the effect of discounting will not be material.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

6	Revenue from contract with customers	31 December	31 December
		2019	2018
		N'000	N'000
	Sale of diary products	8,795,103	7,265,172
	Sale of ice cream	3,809,970	2,963,788
	Sale of juice	868,516	932,406
		<b>13,473,589</b>	<b>11,161,366</b>

All sales are within Nigeria.

#### i Liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers:

	31 December	31 December
	2019	2018
	N'000	N'000
Contract liabilities - customer deposits	105,478	46,820
Contract liabilities - rebates	328,940	244,272
	<b>434,418</b>	<b>291,092</b>

Contract liabilities relate to advance payments from customers and also volume rebates earned by vendors and customers both of which can be used as consideration for purchase of goods.

No revenue recognised in the current reporting period relates to carried-forward contract liabilities.

7	Expenses by Nature	31 December	31 December
		2019	2018
		N'000	N'000
	Raw materials and consumables used	4,972,923	4,247,923
	Employee benefit expense (note 8)	1,900,345	1,724,926
	Directors fees	18,610	18,360
	Depreciation (note 12.1)	1,820,658	1,993,314
	Depreciation charge of right-of-use assets	24,271	-
	Amortisation of intangible assets (note 12.2)	1,589	2,935
	Office expenses	471,926	445,229
	Repairs and maintenance	1,426,310	1,126,635
	Rent and rates	1,086,511	991,086
	Audit fees	16,597	16,400
	Bank charges	71,479	87,067
	Exchange losses	29,426	9,089
	Advertising, sales promotion and corporate marketing	499,391	318,382
	Other expenses	146,065	69,730
		<b>12,486,099</b>	<b>11,051,076</b>
	Cost of sales	7,360,160	6,730,452
	Distribution expenses	2,972,821	2,411,818
	Administrative expenses	2,153,118	1,908,806
		<b>12,486,099</b>	<b>11,051,076</b>

## NOTES TO THE FINANCIAL STATEMENTS

8	Employee benefit expense	31 December 2019	31 December 2018
		N'000	N'000
	Wages, salaries and allowances	1,635,880	1,491,922
	Pension costs - defined contribution plans	80,055	76,551
	Pension costs - defined benefit plans	38,701	36,055
	Medical, welfare and training	145,709	120,397
		<b>1,900,345</b>	<b>1,724,926</b>
9	Other income	31 December 2019	31 December 2018
		N'000	N'000
	(Profit)/loss on sale of property, plant and equipment	(5,794)	99,859
	*Miscellaneous income	139,104	54,880
	Refund of excess bank charges		33,615
		<b>133,310</b>	<b>188,354</b>
*Miscellaneous income largely relates to income earned from the sale of scrap items from inventory and reimbursement received from the Industrial Training Fund for staff training expenses incurred in prior periods.			
10	Finance income / (costs)	31 December 2019	31 December 2018
		N'000	N'000
	<b>Finance income:</b>		
	- Interest income	-	5,837
	- Exchange gain on loans	-	7,769
		-	<b>13,606</b>
	<b>Finance cost:</b>		
	- Bank borrowing	(50,415)	(161,941)
	- Related party borrowing	0	(72,782)
	- Overdrafts	(81,391)	(143,852)
	- Interest on actuarial valuation	(75,856)	(75,013)
	- Interest on lease liability	(7,509)	
	Total finance costs	<b>(215,171)</b>	<b>(453,588)</b>
	<b>Net finance costs</b>	<b>(215,171)</b>	<b>(439,982)</b>
11	Income tax	31 December 2019	31 December 2018
		N'000	N'000
	Education tax	43,576	54,170
	Income tax	68,189	-
	*Additional income tax	70,353	-
	<b>Total current tax charge</b>	<b>182,118</b>	<b>54,170</b>
*Additional income tax relates to tax liability arising from completed tax authority examinations for the years 2007 to 2011.			
	Deferred tax (note 18)		
	Origination and reversal of temporary differences	252,378	(106,238)
	<b>Total deferred tax</b>	<b>252,378</b>	<b>(106,238)</b>
	<b>Income tax</b>	<b>434,496</b>	<b>(52,068)</b>

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

	31 December 2019		
	Before tax	Tax credit	After tax
	N'000	N'000	N'000
Actuarial gain on post employment benefit obligation	-	-	-
<b>Other comprehensive income</b>	-	-	-

	31 December 2018		
	Before tax	Tax credit	After tax
	N'000	N'000	N'000
Actuarial gain on post employment benefit obligation	-	-	-
<b>Other comprehensive income</b>	-	-	-

The current tax charge has been computed at the applicable rate of 30% (31 December 2018: 30%) plus education tax levy of 2% (31 December 2018: 2%) on the profit 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 2019	31 December 2018
	N'000	N'000
At start of the year	57,350	10,033
Tax paid	(54,170)	(6,853)
Income tax charge	182,118	54,170
At end of the year	<b>185,298</b>	<b>57,350</b>

Further information about 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 2019	31 December 2018
	N'000	N'000
<b>Profit/(loss) before tax:</b>	896,275	(147,358)
Income tax using the domestic corporation tax rate @30%	268,883	(44,207)
Education tax	43,576	54,170
Effect of permanent differences	(24,362)	(42,030)
Adjustment to tax for previous years	70,353	-
Exempt timing differences	-	(4,025)
Tertiary education tax on temporary difference	8,741	(16,931)
Prior year over provision-deferred tax	(839)	955
Minimum tax	68,144	-
<b>Total income tax expense in profit or loss</b>	<b>434,496</b>	<b>(52,068)</b>

## NOTES TO THE FINANCIAL STATEMENTS

12.1 Property, plant and equipment	Leasehold buildings	Right of use assets	Plant and machinery & Spares	Furniture and Fittings	Motor vehicles bicycles and boxes	Milk crates, conservators and work in progress	Construction and work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>Cost</b>								
At 1 January 2019	1,273,695	151,116	9,759,326	2,224,558	1,983,969	2,416,593	444,881	18,103,022
IFRS 16 adjustment		151,116						151,116
Additions	12,062	4,000	572,607	202,786	299,456	87,136	584,323	1,762,370
Reclassification	133,460		285,701	119,488	-	81,101	(619,750)	-
Disposals	-		(494,272)	(46,922)	(84,914)	(77,192)	-	(703,300)
At 31 December 2019	1,419,217	155,116	10,123,362	2,499,910	2,198,511	2,507,638	409,454	19,313,208
<b>Accumulated depreciation and Impairment</b>								
At 1 January 2019	(368,774)		(7,503,936)	(1,532,068)	(1,482,104)	(1,731,713)	-	(12,618,595)
Charge for the year	(27,418)	(24,271)	(1,037,689)	(242,914)	(215,559)	(297,078)	-	(1,844,929)
Disposals	-		482,974	45,618	78,578	76,225	-	683,395
At 31 December 2019	(396,192)	(24,271)	(8,058,651)	(1,729,364)	(1,619,085)	(1,952,566)	-	(13,809,785)
Net book value at 31 December 2019	1,023,025	130,845	2,064,711	770,546	579,426	555,072	409,454	5,503,423
<b>Cost</b>								
At 1 January 2018	1,175,640		9,359,622	2,132,141	1,915,445	2,496,071	356,608	17,435,527
Additions	137,556		710,585	177,616	302,050	74,186	420,062	1,822,055
Reclassification	-		239,872	-	-	91,917	(331,789)	-
Disposals	(39,501)		(550,753)	(85,199)	(233,526)	(245,581)	-	(1,154,560)
At 31 December 2018	1,273,695		9,759,326	2,224,558	1,983,969	2,416,593	444,881	18,103,022
<b>Accumulated depreciation and Impairment</b>								
At 1 January 2018	(364,259)		(6,845,761)	(1,380,296)	(1,485,852)	(1,668,980)	-	(11,745,148)
Charge for the year	(24,044)		(1,211,601)	(231,830)	(217,967)	(307,872)	-	(1,993,314)
Disposals	19,529		553,426	80,958	221,715	245,139	-	1,119,867
At 31 December 2018	(368,774)		(7,503,936)	(1,532,068)	(1,482,104)	(1,731,713)	-	(12,618,595)
Net book value at 31 December 2018	904,921		2,255,390	692,490	501,865	684,880	444,881	5,484,427

**12.2 Intangible assets****Computer software**

N'000

**Cost**

At 1 January 2019

57,598

Additions

-

At 31 December 2019

57,598**Accumulated amortisation**

At 1 January 2019

51,264

Amortisation charge

1,589

At 31 December 2019

52,853**Net book amount at 31 December 2019****4,745****Cost**

At 1 January 2018

52,796

Additions

4,802

At 31 December 2018

57,598**Accumulated amortisation**

At 1 January 2018

48,329

Amortisation charge

2,935

At 31 December 2018

51,264**Net book amount at 31 December 2018****6,334**

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

**13 Inventories****31 December****31 December****2019****2018**

N'000

N'000

Finished goods

232,339

178,222

Raw and packing materials

1,137,426

704,743

Non trade stock

5,959

37,102

Goods in transit

1,217,079462,534**2,592,803****1,382,601**

**14 Trade and other receivables**

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Trade receivables	397,006	273,246
Staff debtors	45,785	30,470
Insurance claims/receivables	13,582	14,470
Due from related parties (note 25)	195,556	99,518
*Other receivables	35,686	92,086
Prepayments	90,971	317,213
	<b>778,586</b>	<b>827,003</b>

\*Other receivables relates to advance payments made to suppliers.

Trade receivables - net	397,006	273,246
Impairment of trade receivables	24,602	29,416
Gross trade receivables	<b>421,608</b>	<b>302,662</b>

**14.1 Impairment of financial assets**

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

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
At 31 December - calculated under IAS 39	29,416	44,342
Increase in impairment losses on transition (adoption of IFRS 9)		(4,175)
At 1 January 2018 - restated	29,416	40,167
Impairment charge for the year	9,354	13,816
Receivables written off during the year	(14,168)	(16,771)
Recoverables during the year	-	(7,796)
At 31 December	<b>24,602</b>	<b>29,416</b>

**15 Cash and cash equivalents**

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Cash in hand	257,745	17,359
Cash at bank	601,808	47,894
<b>Cash and cash equivalents</b>	<b>859,553</b>	<b>65,253</b>



## NOTES TO THE FINANCIAL STATEMENTS

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
Cash and cash equivalents	859,553	65,253
Bank overdrafts (note 20)	(164,922)	(291,675)
<b>Cash and cash equivalents</b>	<b>694,631</b>	<b>(226,422)</b>

**16 Share capital****Authorised share capital**

Ordinary shares (1,800,000,000 @50k each)  
Preference shares (200,000,000 @50k each)

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
Ordinary shares (1,800,000,000 @50k each)	900,000	900,000
Preference shares (200,000,000 @50k each)	100,000	100,000
	<b>1,000,000</b>	<b>1,000,000</b>

**Issued and fully paid****Ordinary shares**

1,163,033,349 ordinary shares of 50k each

	<b>581,517</b>	<b>581,517</b>
--	----------------	----------------

At the Extraordinary General Meeting held on 13 September 2018, the shareholders approved the increase of the authorised share capital of N1,200,000,000 divided into 1,000,000,000 ordinary shares of 50k each and 200,000,000 preference shares of 50k each to N2,000,000,000 divided into 1,800,000,000 ordinary shares of 50k each and 200,000,000 preference shares of 50k each by the creation of additional 800,000,000 ordinary shares of 50k each, such new shares ranking pari passu in all respects with the existing ordinary shares in the share

At the Extraordinary General Meeting held on 13 September 2018, the shareholders approved the allotment of 163,217,501 ordinary shares at a price of N20 per share.

**Movements in ordinary shares:**

	<b>2019</b>		
	<b>Number '000</b>	<b>Share capital N'000</b>	<b>Share premium N'000</b>
As at 1 January	1,163,033	499,908	4,241,575
<b>As at 31 December</b>	<b>1,163,033</b>	<b>581,517</b>	<b>4,241,575</b>
	<b>2018</b>		
	<b>Number '000</b>	<b>Share capital N'000</b>	<b>Share premium N'000</b>
As at 1 January	999,816	499,908	1,098,865
Shares issued in the year	163,217	81,609	3,142,710
<b>As at 31 December</b>	<b>1,163,033</b>	<b>499,908</b>	<b>4,241,575</b>

## NOTES TO THE FINANCIAL STATEMENTS

**17 Profit/(loss) per share**

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

	<u>2019</u>	<u>2018</u>
Profit/(Loss) attributable to equity holders of the Company (N'000)	461,779	(95,290)
Weighted average number of ordinary shares in issue ('000)	1,163,033	1,163,033
Basic and diluted loss per share (kobo)	<u>40</u>	<u>(8)</u>

There are no potentially dilutive shares outstanding at both year ends. Consequently, diluted earnings per share is the same as basic earnings per share.

**18 Deferred tax**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2018: 30%). Deferred tax assets is recognised to the extent that it is recoverable from future taxable profits.

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>N'000</u>	<u>N'000</u>
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months.	154,132	41,609
Deferred tax liability to be recovered within 12 months	-	-
	<u>154,132</u>	<u>41,609</u>
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered after more than 12 months.	252,172	223,970
Deferred tax asset to be recovered within 12 months	20,572	188,628
	<u>272,744</u>	<u>412,598</u>
<b>Net deferred assets</b>	<u>118,612</u>	<u>370,989</u>

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

Deferred income tax assets	1 January	Recognised in	Recognised in	31 December
	2019	Profit or loss	OCI	2019
	N'000	N'000	N'000	N'000
Employment benefit obligation	180,955	29,742	-	210,697
Unrealised exchange loss	188,628	(168,056)	-	20,572
Property, plant and equipment	20,533	-	-	20,533
Provisions	22,482	(1,540)	-	20,942
	<u>412,598</u>	<u>(139,854)</u>	-	<u>272,744</u>

Deferred income tax assets	1 January	Recognised in	Recognised in	31 December
	2018	Profit or loss	OCI	2018
	N'000	N'000	N'000	N'000
Employment benefit obligation	168,363	12,592		180,955
Unrealised exchange loss	-	188,628	-	188,628
Property, plant and equipment	177,156	(156,623)	-	20,533
Provisions	17,827	4,655	-	22,482
	<b>363,346</b>	<b>49,252</b>	-	<b>412,598</b>

Deferred income tax liabilities	1 January	Recognised in	Recognised in	31 December
	2019	Profit or loss	OCI	2019
	N'000	N'000	N'000	N'000
Property, plant and equipment	-	110,538	-	110,538
Lease liabilities	-	1,985	-	1,985
Unrealised exchange gain	41,609	-	-	41,609
	<b>41,609</b>	<b>112,523</b>	-	<b>154,132</b>

Deferred income tax liabilities	1 January	Recognised in	Recognised in	31 December
	2018	Profit or loss	OCI	2018
	N'000	N'000	N'000	N'000
Property, plant and equipment	-	-	-	-
Unrealised exchange gain	98,595	(56,986)	-	41,609
	<b>98,595</b>	<b>(56,986)</b>	-	<b>41,609</b>

There are no changes to deferred tax balances arising from the adoption of IFRS 16 at 1 January 2019

At year end, the Company had no unrecognised deferred tax assets. The directors are of the opinion that foreseeable profits will be enough to utilize the deferred tax assets generated.

The Company has incurred losses over the last 5 financial years following significant financing costs recorded on borrowings. They relate to costs incurred on borrowings obtained to fund the operations of the company. These borrowings have been significantly reduced in the current period. The Company has concluded that the deferred assets recognised will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Company. The Company is expected to generate taxable income from 2019 onwards. The losses can be carried forward indefinitely and have no expiry date.

## 19 Employment benefit obligations

### Defined contribution scheme

The Company and its employees make a joint contribution of 18% (10% by the employer and 8% by the employee) of basic salary, housing and transport allowance to each employee's retirement savings account maintained with

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 60 years for all staff.

The gratuity and other long term employee benefit provisions are based upon independent actuarial valuation conducted by Deloitte, France.

Statement of financial position liability for:	31 December 2019	31 December 2018
	N'000	N'000
Staff gratuity plan	609,574	522,611
Long service award	62,061	56,078
	<b>671,635</b>	<b>578,689</b>

**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:

Present value of unfunded obligations	31 December 2019	31 December 2018
	N'000	N'000
<b>Liability in the balance sheet</b>	<b>609,574</b>	<b>522,611</b>

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

	31 December 2019	31 December 2018
	N'000	N'000
Opening defined benefit obligation	522,611	488,705
Current service cost	34,511	32,272
Interest cost	68,499	68,419
Benefits paid	(16,047)	(66,785)
Closing defined benefit obligation	<b>609,574</b>	<b>522,611</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>
	N'000	N'000
Current service cost	34,511	32,272
Interest expense	68,499	68,419
Components of defined benefit costs recognised in profit or loss	<u>103,010</u>	<u>100,691</u>
<b>Remeasurement of the defined benefit obligation</b>		
-Actuarial gain arising from experience adjustments	-	-
-Actuarial loss arising from changes in economic assumptions	-	-
Components of defined benefit costs recognised in other comprehensive income	<u>-</u>	<u>-</u>
<b>Total</b>	<u>103,010</u>	<u>100,691</u>

The current service cost for the year is recognised in employee benefit expense in profit/loss account. The entire interest expense for the year has been included in finance costs.

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

The principal actuarial assumptions were as follows:

	<u>31</u>	<u>31</u>
	December	December
	2019	2018
	N'000	N'000
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 occurring at the end of the reporting period, while holding all other assumptions constant.

Base	See above	609,574
Discount rate	+1%	562,425
	-1%	662,840
Inflation rate	+0.25%	615,678
	-0.25%	603,604

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 THE 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 position.

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

The maturity profile of staff gratuity is shown below:

	<u>N'000</u>
2020	15,614
2021	39,527
2022	34,477
2023	122,914
2024	126,847
2025 & above	654,531

The weighted average duration of staff gratuity as at 31 December 2019 was 9 years and 5 months.

**b Long service award**

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
	N'000	N'000
Present value of unfunded obligations	<u>62,061</u>	<u>56,079</u>
	<u>31 December 2019</u>	<u>31 December 2018</u>
	N'000	N'000
Opening long service award obligation	56,079	50,630
Current service cost	4,190	3,783
Interest cost	7,357	6,594
Benefits paid	(5,565)	(4,928)
<b>Closing long service award obligation</b>	<u>62,061</u>	<u>56,079</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

	<b>31 December 2019</b>	<b>31 Dec</b>
	<b>N'000</b>	
Current service cost	4,190	
Interest expense	7,357	
Components of defined benefit costs recognised in profit or loss	<b>11,547</b>	
Remeasurement of the defined benefit obligation		
Components of defined benefit costs recognised in other comprehensive income	-	
<b>Total</b>	<b>11,547</b>	

The principal methods and assumptions are the same as the staff gratuity plan.

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

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

Base	See above	62,061
Discount rate	+1%	59,197
	-1%	65,164
Inflation rate	+0.25%	62,629
	-0.25%	61,502

The maturity profile of long service award is shown below:

	<b>N'000</b>
2020	9,563
2021	6,714
2022	10,641
2023	2,469
2024	2,548
2025 & above	13,146

The weighted average duration of long service award as at 31 December 2019 was 5 years and 6 months.

**c Risk exposure on employee benefit obligations**

## i Inflation risk

Employee benefit obligations are linked to salary inflation, and higher inflation will lead to higher liabilities.

## ii Retirement age of employee

The majority of the plans' obligations are payable on resignation / retirement of employees. Decreases in retirement age will result in an increase in the employee benefit obligations. This is particularly significant in the employee benefit obligations, where inflationary increases result in higher sensitivity to changes in expected retirement age.

<b>20 Borrowings</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
<b>Non-current</b>		
Bank borrowings	-	<b>61,753</b>
<b>Current</b>		
Bank borrowings	294,085	327,917
Bank overdraft	164,922	291,675
	<b>459,007</b>	<b>619,592</b>
<b>Total borrowings</b>	<b>459,007</b>	<b>681,345</b>
<b>This is further analysed</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
<b>Term Loans</b>		
Zenith Bank (Note 20.1)	-	389,670
Bankers import finance facilities (Note 20.2)	294,085	-
	<b>294,085</b>	<b>389,670</b>
<b>Other borrowings</b>		
Bank overdraft	164,922	291,675
	<b>164,922</b>	<b>291,675</b>
<b>Total Borrowings</b>	<b>459,007</b>	<b>681,345</b>



**20.1 Zenith Bank Plc**

The balance at the end of the year is Nil (2018: N389.7 million) represents the outstanding balance of the drawn down portion of N1.5 billion 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 18% per annum. The loan is repayable over 4 years from the date of drawdown. This is secured by a negative pledge over the assets of the company. The loan was fully paid in 2019

**20.2 Banker Import Finance Facilities**

The balance at the end of the year is N294m (2018: NIL). This was an import finance facility obtained from Stanbic IBTC Bank Plc in October 2019 to finance importation with an interest rate of 16.5%. This was secured by a negative pledge over the assets of the company.

**21 Trade and other payables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
Trade payables	671,800	767,166
Due to related parties (note 25)	1,978,497	1,413,908
Other payables	567,208	320,549
Lease asset liability	2,469	-
*Other accruals	888,260	489,155
	<b>4,108,233</b>	<b>2,990,778</b>

\* Other accruals relate to factory expenses, electricity bills, marketing expenses and haulage fees for which the Company is yet to be billed.

**21.1 Lease asset liability**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Operating lease commitments disclosed as at 31 December 2018	-	-
Add: adjustments as a result of a different treatment of extension and termination options	39,849	-
Lease liabilities recognised as at 1 January 2019	39,849	-
Additions	-	-
Interest expense for the year	7,509	-
Payments made during the period	(44,889)	-
Closing balance as at 31 December 2019	2,469	-
Current lease liabilities	2,469	-
Non-current lease liabilities	-	-
	<b>2,469</b>	<b>-</b>

**22 Dividend payable**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>N'000</b>	<b>N'000</b>
At 1 January and 31 December	<b>2,437</b>	<b>2,437</b>

## NOTES TO THE FINANCIAL STATEMENTS

23 Reconciliation of profit before tax to cash generated from operations	31 December	31 December
	2019	2018
	N'000	N'000
Profit/(Loss) before income tax	896,275	(147,358)
<b>Adjustments for:</b>		
- Depreciation of property, plant and equipment (note 12.1)	1,874,586	1,993,314
- Exchange loss on related party loan	-	(7769)
- Impairment of trade and other receivables (note 14.1)	9,354	13816
- Amortisation of intangible assets (note 12.2)	1,589	2935
- Current service & interest cost on post employment benefits (note 19)	114,557	111068
- Interest expense	50,415	234723
- Gain/(loss) on disposal of property, plant and equipment (note 9)	5,794	(99,859)
- Interest income (note 10)	-	(5,837)
(Increase)/decrease in inventories	(1,210,202)	155,143
Increase in contract liabilities	143,326	291,092
Decrease/(increase) in trade and other receivables	29,919	(154,919)
Interest expense on leases	7,509	
Decrease in impairment losses on transition (Adoption of IFRS 9)	-	4,175
Increase/(decrease) in trade and other payables	1,117,454	(59,517)
<b>Cash generated from operations</b>	<b>3,040,575</b>	<b>2,331,007</b>
<b>23.1 Profit on disposal of property, plant and equipment</b>		
Proceeds on disposal of property, plant and equipment	14,111	134,552
Less: net book value	19,905	34,693
<b>(Loss)/profit on disposal of property plant and equipment</b>	<b>(5,794)</b>	<b>99,859</b>
<b>23.2 Net debt reconciliation</b>		

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019		
	Cash/ bank overdraft	Borrowings	Net debt
	N'000	N'000	N'000
As at 1 January	(291,675)	(389,670)	(681,345)
Cash flows	126,753	258,101	384,854
Foreign exchange adjustments	-	-	-
Other changes (i)	-	(50,415)	(50,415)
	<b>(164,922)</b>	<b>(181,984)</b>	<b>(346,906)</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2018		
	Cash/ bank overdraft	Borrowings	Net debt
	N'000	N'000	N'000
As at 1 January	(383,444)	(3,941,964)	(4,325,408)
Cash flows	91,769	514,897	606,666
Foreign exchange adjustments	-	7,769	7,769
Other changes (i)	-	(234,723)	(234,723)
Settlement of loan from related party through the issue of shares (ii)	-	3,264,351	3,264,351
	<b>(291,675)</b>	<b>(389,670)</b>	<b>(681,345)</b>

**Other changes (i)**

Other changes include interest expense which are presented as operating cash flows in the statement of cash flows.

**Settlement of loan from related party through the issue of shares (ii)**

Ten million United States Dollar (USD) loan granted to the Company by the Fan Milk International under a loan agreement dated 15 December 2016 was converted to 163,217,501 units of ordinary shares in 2018. The resultant increase in share capital and share premium has been disclosed in the statement of changes in equity.

**24 Contingent liabilities and commitments****(a) Legal proceedings**

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	31 December
	2019	2018
	N'000	N'000
Not later than 1 year	67,295	176,746
Later than 1 year but not later than 5 years	183	65,997
Later than 5 years	0	50,731
	<b>67,478</b>	<b>293,474</b>

**25 Related party transactions**

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

The following transactions were carried out with related parties

**(a) Transactions with related parties****Purchase of goods and services**

		<b>31 December</b>	<b>31 December</b>
	<b>Relationship</b>	<b>2019</b>	<b>2018</b>
		<b>N'000</b>	<b>N'000</b>
Fan Milk International	Parent Company	215,305	62,788
Emidan A/S	Sister company	4,003,512	2,692,100
*Other CBUs	Sister company	-	145,182
		<b>4,218,817</b>	<b>2,900,070</b>

Purchases from Emidan A/S relates to the cost of raw material and spares imported from Emidan A/S in the year.

Purchases from Fan Milk International and other CBUs relates to expenses incurred by related parties on behalf of the Company.

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

\*Other CBUs are related parties of the entity which have incurred expenses on behalf of the Company in the year. These are listed under note 25(e).

**(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 below:

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Salaries and other short-term employee benefits	39,600	17,200
Post-employment benefits (Gratuity & pension)	-	-
	<b>39,600</b>	<b>17,200</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

Receivables from related parties	Relationship	31 December	31 December
		2019	2018
		N'000	N'000
Fan Milk Ghana	Sister company	62,680	13,325
Fan Milk Togo	Sister company	25,526	21,801
Fan Milk West Africa	Sister company	23,403	17,754
Danone	Ultimate parent	58,139	2,948
Danone ELN (Early Life Nutrition)	Sister company	25,808	43,650
		<b>195,556</b>	<b>99,478</b>

Payables to related parties	Relationship	31 December	31 December
		2019	2018
		N'000	N'000
Fan Milk International	Parent company	388,496	331,295
Emidan A/S	Sister company	1,234,686	728,497
Central Danone	Sister company	6,133	5,229
Danone	Ultimate parent	252,063	343,088
Fan Milk Ghana	Sister company	64,127	3,150
Fan Milk S.A. Togo	Sister company	18,354	2,649
Fan Milk Cote d'Ivoire SA	Sister company	156	-
Danone Nederland	Sister company	14,480	-
		<b>1,978,497</b>	<b>1,413,908</b>

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

Loans from Fan Milk International (FMI)	2019	2018
	N'000	N'000
At 1 January	-	3,199,337
Addition during the year	-	-
Interest expense in the year	-	72,782
Foreign exchange difference	-	(7,768)
Converted to equity	-	(3,264,351)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

Interest expense on the FMI loan is computed using the effective interest method which takes into account any fees or costs that are an integral part of the effective interest rate. Interest expense is included in finance costs in the statement of profit or loss.

**26 Staff numbers and costs**

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

	<b>Number</b>	<b>Number</b>
<b>Senior Staff</b>		
Production	22	23
Administrative	159	149
	<b>181</b>	<b>172</b>
<b>Supervisory/Junior Staff</b>		
Production	40	42
Administrative	190	207
	<b>230</b>	<b>249</b>
<b>Total</b>	<b>411</b>	<b>421</b>

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Wages, salaries and allowances	1,635,880	1,491,922
Pension costs - defined contribution plans	80,055	76,551
Pension costs - defined benefit plans	38,701	36,055
Medical, welfare and training	145,709	120,397
	<b>1,900,345</b>	<b>1,724,926</b>

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.

	<b>Number</b>	<b>Number</b>
N300,001 - N500,000	21	8
N500,001 - N700,000	56	38
N700,001 - N900,000	53	63
N900,001 - N1,000,000	21	51
Above N1,000,000	260	287
	<b>411</b>	<b>447</b>

**Directors emoluments**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Fees paid to non-executive directors	18,600	18,600
Emoluments paid to executive directors	39,600	17,200
Fees of the chairman	3,600	3,240
Emolument of the highest paid director	31,100	17,200

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

	<u>Number</u>	<u>Number</u>
N2,000,001 - N3,000,000	6	6
N3,000,001 - N4,000,000	1	1
Above N4,000,000	1	1
	<u>8</u>	<u>8</u>

## 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

In the first quarter of 2020, there was a COVID -19 outbreak which has spread globally. The outbreak has been declared a Public Health Emergency of International concern by World Health Organization (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity. It is expected that majority of manufacturers will be affected significantly, most of the industrial companies are beginning to close facilities and are mulling the extent of lay offs to help curb the spread of the virus and for economic reasons. The manufacturing sector, who are the major employer of workers in the world assumed to be mostly hit during this outbreak for possible closure of their operations due to inability to operate remotely without being on site and decline in product demand as a result of slowdown in economic activities.

In the light of these recent developments and its underlying impact, the Company, have assessed the financial impact on our going concern focusing on year financial projections. The revenue is expected to decline by 14.3% in quarter 2 versus 2019 but rebound in Q3 & Q4 to close the year with growth of 7% versus last year.

In spite of the projected revenue decline in Q2, there will not be a negative impact on the going concern of the company and we will still end the financial year in a profit region through effective management of both variable and fixed overheads of the business.

We remain extremely vigilant and closely monitors situation created by the COVID-19 outbreak all through its length and total impact remain uncertain at this stage.

## STATEMENT OF THE VALUE ADDED

	2019		2018	
	N'000	%	N'000	%
<b>Turnover</b>	13,473,589		11,161,366	
Other income	<u>133,311</u>		<u>188,354</u>	
	13,606,900		11,349,720	
Cost of goods and services				
-Local	(6,121,843)		(2,903,006)	
-Imported	(2,496,188)		(3,666,401)	
<b>Value added</b>	<b><u>4,988,870</u></b>	<b>100</b>	<b><u>4,780,313</u></b>	<b>100</b>
<b>Distributed as follows:</b>				
<b>To pay employees</b>				
- Salaries and allowances, pension and welfare	1,900,345	38	1,724,926	36
<b>To pay government</b>				
- Company taxation	182,118	4	54,170	1
<b>To pay finance houses and overseas suppliers</b>				
- Interests and bank charges	316,075	6	1,206,496	25
<b>To pay providers of capital</b>				
- Dividend	-	-	-	-
<b>Retained for maintenance of assets and future expansion of business</b>				
- Deferred taxation	252,378	6	(106,238)	(2)
- Depreciation of property, plant and equipment	1,876,175	38	1,996,249	43
- Profit/(Loss) for the year	<u>461,779</u>	9	<u>(95,290)</u>	(2)
<b>Value added</b>	<b><u>4,988,870</u></b>	<b>100</b>	<b><u>4,780,313</u></b>	<b>100</b>

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Statement of financial position</b>					
Property, plant and equipment	5,503,423	5,484,427	5,690,379	6,157,206	5,373,283
Deferred tax assets	252,173	223,970	363,346	317,550	208,610
Intangible assets	4,745	6,334	4,467	6,586	10,997
<b>Net current liabilities</b>	<b>(937,878)</b>	<b>(1,497,764)</b>	<b>(4,686,721)</b>	<b>(3,773,795)</b>	<b>(2,880,900)</b>
Deferred tax liability	(154,132)	(41,609)	-	(287,520)	(292,069)
Creditors: Amount due after one year	(671,635)	(640,442)	(929,005)	(1,155,112)	(883,546)
<b>Net assets</b>	<b>3,996,696</b>	<b>3,534,916</b>	<b>442,466</b>	<b>1,264,915</b>	<b>1,536,375</b>
Ordinary share capital	581,517	581,517	499,908	499,908	499,908
Share premium reserve	4,241,575	4,241,575	1,098,865	1,098,865	1,098,865
Other reserve	362,276	362,276	362,276	362,276	362,276
General reserves	(1,188,672)	(1,650,452)	(1,518,583)	(696,134)	(424,674)
<b>Shareholders' funds</b>	<b>3,996,696</b>	<b>3,534,916</b>	<b>442,466</b>	<b>1,264,915</b>	<b>1,536,375</b>
<b>Statement of profit or loss</b>					
Turnover	13,473,589	11,161,366	11,752,265	10,959,040	9,450,246
Loss before taxation	896,275	(147,358)	(1,115,761)	(445,493)	(722,822)
Taxation	(434,496)	52,068	234,607	(91,267)	205,664
Loss after taxation	461,779	(95,290)	(881,154)	(536,760)	(517,158)
Loss per ordinary share (kobo) - Basic	<b>40</b>	<b>(8)</b>	<b>(86)</b>	<b>(98)</b>	<b>(94)</b>
Loss per ordinary share (kobo) - Diluted	<b>40</b>	<b>(8)</b>	<b>(86)</b>	<b>(98)</b>	<b>(94)</b>

Loss 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
1-4,999	94	181, 087	0.02%
5,000 - 49,999	64	976,404	0.08%
50,000 - 99,999	8	577, 422	0.05%
100,000 - 499,999	11	2,432,166	0.21%
500,000 - 999,999	4	3,215,952	0.28%
1,000,000 - 4,999,999	1	1,155,650,318	99.37%
<b>TOTAL</b>	<b>182</b>	<b>1,163,033,349</b>	<b>100.00%</b>

## TYPE ANALYSIS OF MEMBERS

Shareholders Type	Nos. of Shareholders	Nos. of Shares of 50 Kobo	% of Shares Held
<b>Nigerians</b>	<b>181</b>	<b>7,383,031</b>	<b>0.63%</b>
Foreigner (with foreign addresses)	1	1,155,650,318	99.37%
<b>Total</b>	<b>182</b>	<b>1,163,033,349</b>	<b>100%</b>



# PROXY FORM

55TH Annual General Meeting to be held at 12:00pm on Thursday 27th August, 2020 at the Executive Lounge, Radisson Hotel , 42/44 Isaac John Street, Ikeja GRA, Lagos.

I/We

.....  
 Being a member/members of Fan Milk Plc, hereby appoint.....as my/our proxy to act and vote for me/us and my/our behalf at the Annual General Meeting of the Company to be held on 27th August 2020 and at any Adjournment thereof.

Dated this.....Day of.....2020

Shareholders' Signature

.....  
 (Corporation must execute under its common seal)

RESOLUTIONS	FOR	AGAINST
<b>ELECT:</b>		
Mr. Olivier Klein		
Mr. Yeo Ziobeieton		
<b>RE-ELECT :</b>		
Dr. Babatunde Ajibade (SAN)		
Mr. Olayinka O. Akinkugbe		
<b>Special Business</b>		
To authorise the Directors to fix the auditor's remuneration		
To approve the change of object clause of the memorandum of association of the Company		
<p>Please indicate "x" in the appropriate square how you wish 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.</p>		

**NOTES:**

- i. A member is entitled to attend and vote at the Annual General 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, Greenwich Registrars & Data Solutions 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 authorized in that behalf.

The new  
**FanVanille**

**extra  
CREAMY**

**extra  
TASTY**

Treat yourself to EXTRA



**FanMilk**

**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

**GREENWICH REGISTRARS & DATA SOLUTIONS 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
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Address**

City	State	Country
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Previous Address (if any)**

**CSCS Clearing House Number**

Mobile Number 1	Mobile Number 2
<input type="text"/>	<input type="text"/>

Email Address

Shareholder's Signature	Company Seal (If applicable)
<input type="text"/>	<input type="text"/>

**2<sup>nd</sup> 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.
<input type="checkbox"/>	11 PLC	
<input type="checkbox"/>	Abplast Products PLC	
<input type="checkbox"/>	Allianz Nigeria Plc (erstwhile Union Assurance Company Limited; Fire Insurance)	
<input type="checkbox"/>	Aluminium Extrusion PLC	
<input type="checkbox"/>	Cashew Nut Processing Industries PLC	
<input type="checkbox"/>	Chellarams PLC	
<input type="checkbox"/>	Christlieb PLC	
<input type="checkbox"/>	DANA Group of Companies PLC Series 1 & 2	
<input type="checkbox"/>	DN Tyre & Rubber PLC	
<input type="checkbox"/>	Ekis State Bond Tranche 2	
<input type="checkbox"/>	EXOCORP PLC	
<input type="checkbox"/>	Eterna PLC	
<input type="checkbox"/>	FAN Milk PLC	
<input type="checkbox"/>	General Telecoms PLC	
<input type="checkbox"/>	GlaxoSmithKline Nigeria PLC	
<input type="checkbox"/>	Global Biofuel Nigeria Limited	
<input type="checkbox"/>	Great Nigeria Insurance PLC	
<input type="checkbox"/>	Irejo Hotels PLC	
<input type="checkbox"/>	Impressit Bekolof PLC	
<input type="checkbox"/>	Industrial & General Insurance PLC	
<input type="checkbox"/>	IPWA PLC	
<input type="checkbox"/>	John Holts PLC	
<input type="checkbox"/>	Julius Berger Nigeria PLC	
<input type="checkbox"/>	Kajola Integrated & Investment Company PLC	
<input type="checkbox"/>	Lennard Nigeria PLC	
<input type="checkbox"/>	Meyer PLC	
<input type="checkbox"/>	Municipality Waste Management Contractors Limited Series I,II & III	
<input type="checkbox"/>	Nestle Nigeria PLC	
<input type="checkbox"/>	Nigeria Cement Company PLC	
<input type="checkbox"/>	Nigeria Reinsurance	
<input type="checkbox"/>	Nigerian Enamelware PLC	
<input type="checkbox"/>	Nigerian Lamp & Industries	
<input type="checkbox"/>	Nigerian Wire & Cable PLC	
<input type="checkbox"/>	Okitipupa Oil Palm PLC	
<input type="checkbox"/>	Oluwa Glass Company	
<input type="checkbox"/>	The Tourist Company of Nigeria PLC	
<input type="checkbox"/>	Tripple Gee & Company PLC	
<input type="checkbox"/>	UBN Property Company PLC	
<input type="checkbox"/>	Unilever Nigeria PLC	
<input type="checkbox"/>	Union Bank of Nigeria PLC	
<input type="checkbox"/>	Union Homes REITS	
<input type="checkbox"/>	Union Homes Savings & Loans PLC	
<input type="checkbox"/>	University Press PLC	
<input type="checkbox"/>	WEMA Bank PLC	
<input type="checkbox"/>	Wema Funding SPV Plc Bond Series I & II	

# FANMILK PLC

## SHAREHOLDERS DATA UPDATE FORM

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