A Danone Company

2021
ANNUAL REPORT AND ACCOUNTS

FAN MILK PLC

AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MISSION STATEMENT

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

Table of Content


FAN
FanMilk
A Danone Company
FanVanille
Milky
Refreshment
On-The-Go
extra
CREAMY
extra
TASTY
FanMilk
FanVanille
Vanilla Flavoured Milk
OF OUTSTANDING QUALITY

Directors, Professional Advisers and Registered Office

Company registration number	RC. 2761
Chairman	Mr. Olayinka. O. Akinkugbe (Nigerian)
Managing Director	Mr. Ferdinand Mouko (Cameroonian)
Directors	Mr. Yeo Ziobeieton (Ivorian) Dr. Babatunde Ajibade (SAN) (Nigerian) Mr. Olivier Klien (French)
Company secretary and registered office	Olakunle Olusanya Plot 1C, Eleyele, Ibadan. Tel: 02-2411021, 2412032 02-2413264, 2413265
Independent auditor	MAZARS 18, Oba Akran Avenue, Ikeja, Lagos.
Bankers	Access Bank Plc Ecobank Nigeria Plc First Bank of Nigeria Limited Guaranty Trust Bank Plc Polaris Bank Limited Stanbic IBTC Bank Plc United Bank for Africa Zenith Bank Plc
Mission Statement:	To be a leading manufacturer and marketer of healthy, nutritious and safe frozen and non-frozen dairy/food products at affordable prices to the benefit of all stakeholders.

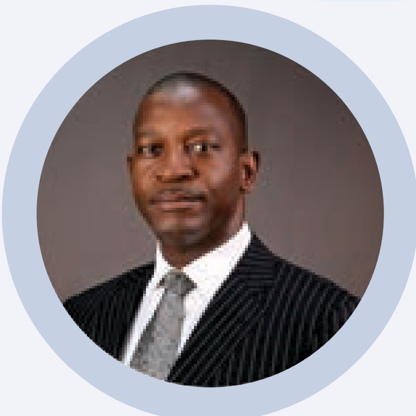
BOARD OF DIRECTORS & COMPANY SECRETARY

Mr Olayinka O. Akinkugbe
Chairman

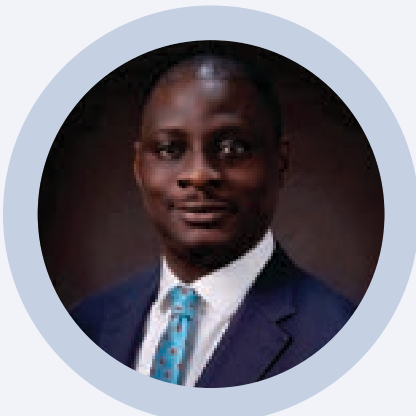
Mr Ferdinand Mouko
Managing Director

Mr Yeo Ziobeieton
Non-Executive Director

Mr Olivier Klein
Non-Executive Director



Dr Babatunde A. M Ajibade(SAN)
Independent Non-Executive Director



Mr. Olakunle Olusanya
Company Secretary
& Legal Adviser

MANAGEMENT TEAM

Ferdinand Mouko
Managing Director

Olakunle Olusanya
Company Secretary & Legal Adviser

Titus Owoeye
Finance Director

Jane Adedayo
Cycles & Procurement Manager

Femi Akintola
Early Life Nutrition Business Manager

Caesar Abam
Security & Corporate Affairs Manager

Olumide Adediji
Human Resources Manager

Godwin Alen
Operations Director

Demola Aramide-Atolagbe
Sales Director

Jennifer Balogun
Marketing Manager

Olukemi Akande
Quality Manager

Financial Highlights

	31 December 2021 N'000	31 December 2020 N'000
Revenue from contracts with customers	24,030,821	14,946,277
Profit before taxation	,4051,384	953,798
Income tax expense	(534,824)	(243,138)
Profit for the year	870,560	710,660
Total comprehensive Income	1,184,724	524,125
Total equity	**5,705,544**	**4,520,821**


FanMilk
A Danone Company
SuperYogo
IT'S YOGHURT
NOURISHING GOODNESS
ON THE GO
FanMilk
SuperYogo
Sweetened Frozen Yoghurt
60 YEARS
OF OUTSTANDING QUALITY
GO FOR
MORE

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 57th Annual General Meeting of the Members of Fan Milk Plc will be held at the Executive Lounge, Radisson Hotel Ikeja, 42/44 Isaac John Street, Ikeja GRA, Lagos on Monday, 27th June 2022 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 2021 together with the Reports of the Audit Committee and Independent Auditors thereon.
2. To elect/re-elect Directors
3. To authorize Directors to fix the remuneration of the Auditors.
4. To disclose the remuneration of the Managers of the Company
5. To elect members of the Audit Committee.

(B) SPECIAL BUSINESS

6. To fix the remuneration of the Directors.

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 18th May 2022

NOTES:

PROXY

Due to the COVID-19 pandemic and in accordance with the guidelines of the Corporate Affairs Commission (CAC) on holding Annual General Meeting (AGM) of public companies using proxies, shareholders are hereby notified that attendance shall only be by proxy to ensure public health and safety. In view of the foregoing, Shareholders are encouraged to appoint

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

proxies to represent them at the meeting.

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 – Chairman & independent Non-Executive Director
(b) Mr. Ferdinand Mouko - Managing Director
(c) Dr. Babatunde Ajibade (SAN) – Independent Non- Executive Director
(d) Mr. Adekunle Odesanya- Shareholder Representative
(e) Mr. Peter Eyanaku – Shareholder Representative
(f) Alhaji Mustapha Jinadu - Shareholder Representative
(g) Mr. Sam Mpamugo. – Shareholder Representative

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@gtlregisrars.com, no later than 48 hours to the meeting. A blank Proxy Form is included in the 2021 Annual Report & Accounts, which will also be available on the Company's website: www.fanmilk.com and that of the Registrars, 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 16th to 24th of June 2022, both days inclusive for the purpose of updating the Register of Members.

AUDIT COMMITTEE

In accordance with Section 404(6) of the Companies and Allied Matters Act 2020 No 3, 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 and the Companies and Allied Matters Act 2020 stipulates that member of the Audit Committee should have basic financial literacy and should be able to read Financial

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Statements and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly. 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 version of the 2021 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 2021 Annual Report by email should send a request to 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. This will enable Shareholders and other relevant Stakeholders who will not be attending the meeting physically to also be part of the proceeding.

RIGHTS OF SECURITIES HOLDERS

Shareholders have a right to ask questions not only at the meeting, but also in writing prior to the meeting, and such written questions should be submitted to the Company Secretary/Legal Adviser, on or before June 24, 2022.

RE-ELECTION OF DIRECTORS

Mr. Olayinka Akinkugbe and Dr. Babatunde Ajibade (SAN) are both retiring by rotation at this meeting in line with Section 285 of CAMA 2020. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM. The profiles of the Directors are contained in the Annual Report, which may be electronically downloaded at www.fanmilk.com.

Chairman's Statement

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, to welcome you all to the 57th Annual General Meeting (AGM) of our great Company, Fan Milk Plc and present to you the Reports and Financial Statements for the financial year ended 31st December 2021 and review of the performance of our Company during the financial year.

On behalf of the Board of Directors, I would like to thank Shareholders for continued support to the Board and Management of the Company during the financial year notwithstanding the economic downturn, which had a great impact on businesses. It is my hope and prayer that the economy will return to normal so that we can go back to business without restriction allowing us to meet our performance targets. I am assured that many of our members are linked to this meeting online and are able to follow the proceedings of this AGM.

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 2022.

Global Business Environment

The global economic recovery is continuing, even as the pandemic resurges. The emergence of new COVID-19 variants prolonged the pandemic and induced economic disruptions. Rising energy prices and supply disruptions resulted in higher and more broad-based inflation than anticipated in many emerging market and developing economies. Elevated inflation persisted for longer than envisioned, while ongoing supply chain disruptions and high energy prices continued during the year.

With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests, and treatments is

Chairman's Statement (cont'd)

essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery systems and fairer international distribution. Monetary policy in many countries will need to continue a tightening path to curb inflation pressures, while fiscal policy—operating with more limited space than earlier in the pandemic will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructuring where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

Vaccine access remains the principal driver of fault lines in the global recovery, reinforced by the resurgence of the pandemic. Many advanced economies have seen remarkable progress in vaccinations since April 2021. By contrast, most emerging market and developing economies have had a much slower rollout, hampered by lack of supply and export restrictions.

Since the beginning of 2021, headline consumer price index (CPI) inflation increased in advanced and emerging market economies, driven by firming demand, input shortages, and rapidly rising commodity prices. Despite uncertainty about the measurement of output gaps around the pandemic, a significant relationship remains between economic slack and inflation. Long-term inflation expectations have stayed relatively anchored so far, with little evidence that recent exceptional policy measures have de-anchored those expectations.

Nigerian Economic Environment

Nigeria's economy entered a recession in 2021, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. In February 2021, the nation's Statistics Bureau said the economy had exited recession in the fourth quarter of 2021, recording its first growth in three quarters as a coronavirus-linked lockdown was lifted across the country. The Gross Domestic Product (GDP) grew 0.11% in the three months between October and December from a year earlier. Although the growth was weak, it reflected the gradual return of economic activities following the easing of restricted movements and limited local and international commercial activities in the preceding quarters.

The nation began 2021 amid worries over its inflation figures and its ripple effects on the standard of living of the average Nigerian. In recent years, Nigeria has seen a persistent surge in

Chairman's Statement (cont'd)

inflation rates, reaching the highest levels in four years, amid increasing food prices and poor purchasing power. At the end of Q1 2021, inflation rose to 18.17% from 17.33% recorded in February 2021. This represented 0.82% points higher than the February figures, according to the Consumer Price Index report released by the National Bureau of Statistics (NBS). At the beginning of Q2 2021, the inflation rate stood at 18.12%. However, from May to December 2021, the inflation rate eased as economic activities resumed after prolonged periods of restriction and lockdowns necessitated by the Covid-19 outbreak.

The Statistician-General of the Federation declared that the nation's economy grew by 4.03% in the third quarter of 2021. The negative GDP figures recorded in 2020 as a result of the COVID-19 pandemic had serious base effects on the GDP figures for the second and third quarters of 2021. The improvement seen in output in 2021 depicted steady progress made in stemming the Covid-19 pandemic and the associated negative impact on the economy.

In November, Nigeria's inflation rate fell for the eighth consecutive month to 15.40% from 15.99% recorded a month prior. The statistics office said the prices of goods and services, measured by the Consumer Price Index, increased by 15.40% (year-on-year) in November 2021. The figure was 0.51% points higher than the rate recorded in November 2020 which was 14.89%.

Despite a fall in the inflation figures, there was a constant increase in food prices. According to the National Bureau of Statistics, the rise in the food index was caused by increases in prices of bread, cereals, fish, food product, potatoes, yam and other tubers, oil and fats, milk, cheese and eggs and coffee, tea and cocoa. The food sub-index increased by 1.07% in November 2021, up by 0.16% points from 0.91% recorded in October 2021.

Dairy Industry in Nigeria

According to Agrilinks, milk is a commodity in high demand in Nigeria, with over a billion tons needed annually. Unfortunately, several factors impede Nigeria's capacity to meet the demand for dairy products. Nigeria currently relies heavily on imported milk. The Federal Ministry of Agriculture and Rural Development (FMARD) estimates that $1.5 billion is spent on milk importation annually.

The demand for milk in Nigeria is an opportunity to generate revenue internally. According to data by AsokoInsights, Nigeria has 20 million cows which ranks as the fourth-largest herd in

Chairman's Statement (cont'd)

Africa but only 11.5% are used for milk. In contrast, 88.5% go towards producing beef. The CBN's recent ban on the importation of milk is a way of enabling backward integration in the dairy sector.

The Ministry of Agriculture and Rural Development has made efforts to enhance the growth of dairy products as it presently collaborates with the Federal Ministry of Industry Trade and Investment, Raw Material Research Development Council, Central Bank of Nigeria (CBN), Federal Ministry of Finance, Budget and National Planning and the private sector to promote and develop the local dairy industry. This will facilitate the process of evolving a National Dairy Policy that will articulate a clear road map and strategies for the attainment of our development aspirations in the dairy industry.

Fan Milk at 60 Celebration

As part of the activities to commemorate 60 years of Fan Milk's operations in Nigeria, a new state of the art product line was commissioned in Ibadan, Oyo State to bolster our manufacturing capacity while contributing to employment opportunities and wealth creation for the people in Oyo State and Nigeria at large.

The project reiterated the importance of the Nigerian market to Danone and the company's commitment to investing in Nigeria. The project cost Eight (8) Million Euros to accomplish, which accounted for 50% of the company's capex for Africa in 2021. Fan Milk recently commissioned water treatment facility to support four neighbouring educational institutions – Eleyele High School, School of Hygiene, School of Nursing, and the School of Health technology.

Fan Milk is committed to keep innovating to better serve the Nigerian populace and foster a healthy and sustainable ecosystem, employing the very best of technology, people and processes to produce high quality and nutritious products for Nigerians.

Fan Milk Danone Dairy Farm Project

The company in leveraging the opportunity of keying into the National Livestock Transformation Programme (NLTP), embarked on the Dairy Backward Integration Programme in partnership with Ogun State government. This was kicked off with the signing of a partnership agreement on the 28th of January 2021 in Abeokuta, Ogun State.

Chairman's Statement (cont'd)

As part of our commitment to the Federal Government, we committed to having three pillars of the dairy backward integration programme namely the Milk Collection Centre, Model Dairy Farm and Dairy Farm Institute in partnership with the Ogun State Government. Work commenced in January 2021 and as at December 2021, we received the first set of cattle in the farm.

This is Danone's first model dairy farm in Sub-Saharan Africa, and we would like to mention the tremendous support we have received so far in setting up this farm with a dedicated resource with Danone leading this project. Is this the case? What about the farm in Kenya or is that not considered a Danone farm?

Fan Milk's Performance

The company's performance improved significantly in 2021. Revenue grew at 61%, from N14.95 billion to N24.03 billion over the prior year, however, the economic challenge in the country remains. The company was able to achieve improved financial performance through innovations and organic growth in all categories of our product portfolio.

Profit Before Tax increased by 47.3% from N953.80 million in 2020 to N1.41 billion in 2021, this was majorly driven by various productivity and cost savings initiatives by the management. These initiatives also helped to absorb the impact of inflation, foreign exchange risk and interest rate risk on our business. Profit After Tax for the year improved by 22.5% from a position of N710.7 million in 2020 to a profit of N870.6 million in 2021 through the utilization of tax allowances.

We delivered satisfactory value to our consumers by offering nutritious products at affordable prices bearing in mind the effect of deteriorating standards of living and declining disposable income on demand for our products.

We also recognized our long-time outstanding distributors for their continued patronage with various incentives and awards in the year 2021. The electric power supply which is the major resource for our business still presents great challenges in Nigeria. However, we delivered improved operating results not only through our productivity initiatives 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 102 Kobo which was a growth of 126.7% over 2020 (EPS: 45 Kobo).

Chairman's Statement (cont'd)

The following initiatives were also embarked on during the year under review:

- Commissioning of a new sachet line (Project Line1.3) which will help to increase capacity by 50% to meet future growth expectations
- Introduction of 2 new variants of our premium ice cream brand "Glo Slo" – Tiramisu Chocolate and Vanilla Chocolate contributed immensely to growth of ice cream and overall performance of the business.
- We increased the total sales assets by deploying additional assets in the year to improve the distribution of our products

Dividends

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

Future Outlook

As we project into 2022, we expect that Nigeria GDP would grow by 3.4% in the coming year as projected by the IMF, and that this growth would positively impact us as a business. Nigeria's N17.12Trn budget was based on crude Oil price at $57pbl. Some improvement in the daily crude oil production is envisaged if the security situation becomes favourable. This would provide support to declining forex supply. The consequence of this is that the Naira's relative stability at the FX market might come under strong scrutiny as the external reserves may weaken if no improvement occurs.

While we are aware of the difficulties ahead, our focus remains on identifying and taking advantage of the opportunities in the financial market to emerge as a stronger entity in 2022. I am therefore optimistic about the Company's growth prospects. Already, plans are on-going as follows:

Expand the baby food category by leveraging our current Indoor route-to-Market to reach out to untapped territories.

- Improve Indoor route-to-Market and cold chain infrastructures for better quality and consumer experience
- In response to consumers feedback we plan to launch drinkable and spoonable yoghurt

Chairman's Statement (cont'd)

products
- Engage in the local sourcing of our key materials in order to mitigate the impact of foreign exchange scarcity
- Implementation of cost optimization strategies throughout the organization which include:

(a) Energy consumption reduction at the manufacturing and logistics sites through solar power project initiatives
(b) Optimisation of maintenance cost and efficient management of spare parts
(c) Further working capital management through inventory and receivable management
(d) Overheads management through cost savings initiatives

The financial position of our Company in the year under review was impacted by the factors earlier mentioned in my address. However, I strongly believe 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. We are confident in our business approach and solid strategy to drive sustainable growth while delivering strong results.

I would 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 2022 as we continue to keep safe.

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

Olayinka Akinkugbe
Chairman


Go Slo
Life Comes in
Different Flavours
Taste Life Slo
PREMIUM ICE CREAM
Go Slo
SALTED CARAMEL
PREMIUM ICE CREAM
Go Slo
COOKIES & CREAM
TIRAMISU CHOCOLATE
Go Slo
PREMIUM ICE CREAM
VANILLA & COCONUT
Go Slo
PREMIUM ICE CREAM
PREMIUM ICE CREAM
Go Slo
PEANUT BUTTER
PREMIUM ICE CREAM
Go Slo
CHOCOLATE & ALMOND

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, 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

	31 December 2021 N '000	31 December 2020 N '000
Revenue from contracts with customers	24,030,821	14,946,277
Profit before taxation	1,405,384	953,798
Income tax	(534,824)	(243,138)
Profit for the year	870,560	710,660
Total comprehensive income for the year	1,184,724	524,125
Total equity	**5,705,544**	**4,520,821**

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

Mr. Olayinka. O. Akinkugbe (Nigerian) - **Chairman**
Mr. Ferdinand Mouko (Cameroonian) - **Managing Director**
Mr. Yeo Ziobeieton (Ivorian) - **Non-Executive Director**
Dr. Babatunde Ajibade (SAN) - **Independent Non-Executive Director**
Mr. Olivier Klien (French) - **Non-Executive Director**

Report of the Directors

Board changes

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 Mr Olayinka O. Akinkugbe and Dr. Babatunde Ajibade (SAN) who, being eligible, have offered themselves for re-election at the meeting.

Directors' interests

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 301 of the Companies and Allied Matters Act.

Directors' interest in contracts

None of the directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act of any declarable interest in contracts in which the Company was involved as at 31 December 2021 (2020:nil).

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 Milk Int'l)	1,155,650,318	99.37

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 employeesThe 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.

Report of the Directors

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 responsibilityIt 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

Mazars was appointed at the last annual general meeting in line with Section 401 of the Companies and Allied Matters Act, 2020.

Board meetings

During 2021, the Board of Directors convened four (4) meetings. The record of Directors' attendance is presented below:

NAME	NUMBER OF MEETINGS ATTENDED
Olayinka Akinkugbe	4
Ferdinand Mouko	4
Olivier Klein	4
Dr. Babatunde Ajibade (SAN)	4
Yeo Ziobeieton	4

The Board meetings were held on 24th February, 27th May, 15th September and 10th December 2021.

By order of the board

Olakunle Olusanya
FRC/2015/NBA/00000001539
Company Secretary & Legal Adviser
24th May 2022.

Report of the Audit Committee

To the shareholders of Fan Milk Plc

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act, 2020, we have reviewed the audited financial statements of the Company for the year ended 31 December 2021 and report as follows:

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

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

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

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

Dated this 18th day of May, 2022

Chief Adekunle Odesanya, MNIM, MBA
Chairman, Audit Committee
FRC/2014/NIM/000000007270

Members of the audit committee

1. Chief Adekunle Odesanya MNIM,MBA
2. Mr. Peter Eyanaku
3. Mr. Olivier Klien
4. Dr. Babatunde A.M. Ajibade, SAN
5. Alhaji Jinadu Mustapha I. FIoD

Report of Independent Auditors

mazars

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Ikeja,
Lagos,
Nigeria.

+234 818 016 8888
www.mazars.com.ng

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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

What we have audited

Fan Milk Plc's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- 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 and other explanatory information.

Basis for opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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 reports.

Report of Independent Auditors

mazars

Other information

The Directors are responsible for the information. The other information consists of Corporate Information, Financial Highlights, Directors 'report, Report of the audit committee, Statement of Corporate responsibilities, Statement of Directors' responsibilities, Value added statement, Five- year financial summary which we obtained prior to the date of this auditor's report, and the other section of Fan Milk Plc 2021 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 express any form of assurance 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.

Responsibilities of the Directors and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies and Allied Matters Act,2020 and Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 skepticism throughout the audit. We also:

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

Report of Independent Auditors

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- 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.

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 purpose 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 its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Ngozi Orluike
FRC/2014/ICAN/00000005903
For: Mazars Ojike and Partners
Lagos, Nigeria
24 May 2022

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0499287

Statement of corporate responsibilities for Financial Reporting

In compliance with the requirements of section 405(1) the Companies and Allied Matters Act 2020, we hereby certify that the Directors have reviewed the audited Financial Statements for the year ended December 31, 2021 and to the best of their knowledge:

(I) the audited Financial Statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made;

(ii) the audited Financial Statements and all other financial information included fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period covered by the audited Financial Statements;

(iii) the Directors are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company are disclosed, particularly during the period in which the audited financial statement report is being prepared;

(iv) the Directors have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited Financial Statements, and certify that the Company's internal controls are effective as of that date;

(v) the Directors have disclosed to the Company's auditors;

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and has identified for the Company's auditors any material weaknesses in internal controls; and

b. whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control.

(vi) the Directors have indicated if there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The audited Financial Statements for the year ended December 31, 2021 was approved by the Directors on 18th of May, 2022.

Mr. Ferdinand Mouko	**Mr. Titus Owoeye, FCA**
Managing Director	Finance Director
FRC/2020/002/00000020991	FRC/2017/ICAN/00000016487

Statement of Directors' Responsibilities

The Companies and Allied Matters Act, 2020 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 requirements 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

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

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

Corporate Governance For Year Ended 31st December 2021

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 five (5) members including a Non-Executive Chairman, one Executive Director, two independent Non-Executive Directors (inclusive of the Board Chairman), 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 2021 is available for inspection at the Annual General Meeting.

AUDIT COMMITTEE

The Company established an Audit Committee in compliance Section 404(6) of the Companies and Allied Matters Act 2020. The Committee is comprised of three representatives of shareholders (elected annually at the AGM), and two Non-Executive Directors. Chief. Adekunle Odesanya chaired the Committee during the year under review.

Corporate Social Responsibility Report

Fan Milk Plc “the Company” is committed to conducting its business in a transparent, socially and environmentally responsible manner. The Company being a Danone Company has aligned its vision with the Danone 2030 Goals which are aligned with the 2030 Sustainable Development Goals (SDGs) of the United Nations, thus adopting a language that is universally understood. The Company is fully committed to these SDGs with a major focus on seven of them (SDG 2,3,6,8,12,13 and 17), which embody our strategic mission, resonating with our product portfolio and with the material stakes of our industry.

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, our 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.

Corporate Social Responsibility Report (cont'd)

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 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.

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

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

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

The company's environmental activities and plans forms an integral part of our company's overall strategies and business plans.

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 established a dairy training institute in Odeda, Ogun State to upskill existing and new local dairy farmers in the adoption of farming best practices. This will introduce global standards in dairy farming, empower local communities and reduce unemployment rates.

Corporate Social Responsibility Report (cont'd)

ONE PLANET ONE HEALTH

As part of our commitment to protect the environment and actualize our vision of One Planet. One Health; we continue to partner and propagate the agenda with the relevant stakeholders in the government across the country.

We partnered with the Lagos State Government and Nigerian Conservation Foundation to organise a Walk for Nature to create awareness for Nature Conservation and Good Environmental Practices.

Corporate Social Responsibility Report (cont'd)

Statement of profit or loss and other Comprehensive Income

	Note	31 December 2021 N'000	31 December 2020 N'000
CONTINUING OPERATIONS			
Revenue from contracts with customers	6	24,030,821	14,946,277
Cost of sales	7	(16,279,211)	(8,937,580)
Gross profit		**7,751,610**	**6,008,697**
Distribution expenses	7	(3,495,994)	(2,804,657)
Administrative expenses	7	(2,878,492)	(2,457,985)
Reversal/(Impairment losses) on financial assets	14.1	17,355	(44,755)
Other income	9	189,694	403,723
Operating profit		**1,584,173**	**1,105,023**
Finance costs	10	(178,789)	(151,225)
Finance costs-net		**(178,789)**	**(151,225)**
Profit before tax		**1,405,384**	**953,798**
Income tax expense	11	(534,824)	(243,138)
Profit for the year		**870,560**	**710,660**
Other comprehensive income:			
Actuarial loss on post employment benefit obligations	11	463,901	(266,479)
Deferred taxation on post employment benefit obligation	11	(149,737)	79,944
Other comprehensiveloss for the year, net of tax		**314,164**	**(186,535)**
TOTAL COMPREHENSIVEINCOME FOR THE YEAR		**1,184,724**	**524,125**
Income attributable to:			
Owners of the company		1,184,724	524,125
		1,184,724	**524,125**
Total comprehensive Income attributable to:			
Owners of the company		**1,184,724**	**524,125**
		1,184,724	**524,125**
Earnings per share			
Basic (kobo)	17	102	45
Diluted (kobo)	17	102	45

The accounting policies and notes on pages 16 to 57 form an integral part of these financial statements.

Statement of Financial Position

	Note	31 December 2021 N '000	31 December 2020 N '000
ASSETS			
Non current assets			
Property, plant and equipment	12.1	10,782,065	7,430,732
Intangible assets	12.2	1,531	2,614
Deferred tax asset	18	687,560	837,296
Total non-current assets		**11,471,156**	**8,270,642**
Current assets			
Inventories	13	8,217,512	3,342,939
Trade and other receivables	14	2,196,133	1,168,702
Cash and cash equivalents	15	1,265,694	1,468,826
Total current assets		**11,679,339**	**5,980,467**
Total assets		**23,150,495**	**14,251,109**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	18	1,187,988	779,518
Employment benefit obligations	19	579,731	983,485
Total non-current liabilities		**1,767,719**	**1,763,003**
Current liabilities			
Borrowings	20	5,390,674	502,087
Trade and other payables	21	10,032,589	7,019,537
Contract liabilities	6	264,607	359,172
Dividend payable	22	2,437	2,437
Current income tax liabilities	11	(13,075)	84,052
Total current liabilities		**15,677,232**	**7,967,285**
Total liabilities		**17,444,951**	**9,730,288**
Net assets		**5,705,544**	**4,520,821**
EQUITY			
Ordinary share capital	16	581,517	581,517
Share premium	16	4,241,575	4,241,575
Other components of equity	16	676,440	362,276
Retained Earnings/(accumulated loss)	16	206,012	(664,547)
Total equity		**5,705,544**	**4,520,821**
Total equity and liabilities		**23,150,495**	**14,251,109**

The accounting policies and notes on pages 16 to 57 form an integral part of these financial statements.

The financial statements and other national disclosures on pages 12 to 59 were approved and authorised for issue by the board of directors on ____May 2022 and signed on its behalf by:

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

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

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

Statement of Changes in Equity

	Attributableto equity holders of the parent				
	Ordinary share capital	Share premium	Other components of equity	Retained earnings	Equity
	N'000	N'000	N'000	N'000	N'000
Balance at 1 January2020	**581,517**	**4,241,575**	**362,276**	**(1,188,672)**	**3,996,696**
Profit for the year	-	-	-	**710,660**	**710,660**
Total comprehensive income	-	-	-	**524,125**	**524,125**
At 31December 2020	**581,517**	**4,241,575**	**362,276**	**(664,547)**	**4,520,821**
At 1 January2021	**581,517**	**4,241,575**	**362,276**	**(664,547)**	**4,520,821**
Profit for the year		-	-	870,560	870,560
Actuarial loss on post employment benefit obligations	-	-	463,901	-	463,901
Deferred taxation on post employment benefit obligation			(149,737)	-	(149,737)
Total comprehensive Profit	**-**	**-**	**314,164**	**870,560**	**1,184,724**
At 31December 2021	**581,517**	**4,241,575**	**676,440**	**206,012**	**5,705,544**

The accounting policies and notes on page 16 to 57 form an integral part of these financial statements.

Statement of Cash Flows

	Note	31 December 2021 N '000	31 December 2020 N '000
Cash flows from operating activities			
Cash generated from operations	23	124,058	4,652,796
Income taxes paid	11	(219,604)	(203,607)
Post employment benefits paid	19	(66,224)	(96,835)
Net cash inflow from operating activities		**(161,770)**	**4,352,354**
Cash flows from investing activities			
Purchase of property, plant and equipment	12.1	(4,911,630)	(3,531,636)
Proceeds from disposal of property, plant and equipment	12.1	141,410	14,900
Net cash outflow from investing activities		**(4,770,220)**	**(3,516,736)**
Cash flows from financing activities			
Interest paid	10	(75,444)	(13,428)
Proceeds from borrowings	20	4,810,159	-
Repayment of borrowings(Overdrafts)	10	-	(44,995)
Payment of principal portion of lease	21.1	-	(3,000)
Net cash outflow from financing activities		**4,734,715**	**(61,423)**
Net increase in cash and cash equivalents		**(197,275)**	**774,195**
Cash and cash equivalents at the beginning of the year	15	1,468,826	694,631
Cash and cash equivalents **at the end of** year	15	**1,271,551**	**1,468,826**

The accounting policies and notes on pages 16-57 form an intergral part of these financial statements.

Notes to the Financial Statements

1. General information

Fan Milk Plc was incorporated in Nigeria as a Limited Liability company on 4 November 1961 and was converted on 5 October 1995 to a public limited liability company and it is domiciled in Nigeria. 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 2021 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.

Notes to the Financial Statements

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 N1.07billion (2020: N524.1million) for the year ended 31 December 2021 and recorded a net current liability of N4.4 billion (2020: 2.0 billion) as at 31 December 2021. The Company relies mainly on Emidan A/S - its sister company for imported raw materials.

Fan Milk Nigeria recorded 61% increase in turnover over year 2020 despite inflation and naira devaluation challenges, this increase is due to the growth in the indoor and outdoor channel of the business and also significant improvement in ice cream category. The company experienced major month on month increase in sales performance.

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

2.1.2 Changes in accounting policies and disclosures

2.1.2.1 New and amended standards adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021

a. Definition of Material – Amendments to IAS 1 and IAS 8 (1 January 2020)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those

Notes to the Financial Statements

financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

b. Revised Conceptual Framework for Financial Reporting (1 January 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

c. Covid-19-related Rent Concessions – Amendments to IFRS 16 (1 June 2020)

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has

Notes to the Financial Statements

been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

2.1.2.2 New standards, amendments and interpretations issued but not yet effective
As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2021. Management is yet to assess the effect of the following standards on the financial statements of the Company.

a. Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (1 January 2022)

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

b. Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (1 January 2022)

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this

Notes to the Financial Statements

assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

c. Reference to the Conceptual Framework – Amendments to IFRS 3 (1 January 2022)
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

2.2 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

Notes to the Financial Statements

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 comprise 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 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
Conservator, bicycles and boxes	20
Spare parts	50

Notes to the Financial Statements

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 "administrative 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

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

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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

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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.

Notes to the Financial Statements

The Company holds the following financial instruments as at 31 December 2021:

	2021 N'000	2020 N'000
Financial assets at amortised cost		
Trade receivables	525,303	524,308
Related party receivables	573,324	342,304
Staff debtors	23,298	51,099
Cash and cash equivalents	1,265,694	1,468,826
	2,387,619	**2,386,537**
Financial liabilities at amortised cost		
Bank borrowings	1,824,971	502,087
Trade and other payables	10,032,589	7,019,537
	11,857,560	**7,521,624**

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 2021 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	531,494	7,933	6,324	950	30,603	577,305
Default rate	3.56%	14.66%	16.86%	28.36%	100.00%	
Lifetime ECL	(18,900)	(1,163)	(1,066)	(270)	(30,603)	(52,002)
Total	**512,595**	**6,770**	**5,258**	**682**	**-**	**525,304**

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The expected loss rates as at 31 December 2020 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	547,854	7,933	6,324	950	30,603	593,665
Default rate	6.62%	14.66%	16.86%	28.36%	100.00%	
Lifetime ECL	(36,254)	(1,163)	(1,066)	(270)	(30,603)	(69,357)
Total	**511,600**	**6,770**	**5,258**	**682**	**-**	**524,308**

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 2021 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 2021 is considered to be insignificant. Amounts due from related parties are assessed to be in stage 1.

Cash and cash equivalent

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 2021 is considered to be insignificant. Cash and cash equivalent dare assessed to be in stage 1.

2.10 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.

Notes to the Financial Statements

(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.

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2.11 Employee benefits

Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Company operates an accumulating leave policy; this can be encashed when the employee is leaving employment.

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 2014, 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 schemeThe 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

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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.

2.12 Leases

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases according to IFRS 16. The Company elected to apply the practical expedients for short term leases in relation to leases of MDCs (Main Distribution Centers) and apartment buildings.

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Based on the accounting policy applied the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date of the right-of-use, assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the company incremental borrowing rate or the rate implicit in the lease contract.

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The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease term determined by the Company comprises:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Company measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

2.13 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.

2.14 Finance cost

Finance cost comprises interest expense on borrowings, Interest on acturial valuation and interest on lease liabilties. 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.

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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 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.

2.16 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provision is 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

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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.

2.17 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.

2.18 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.

Retained earnings/accumulated loss: Accumulated loss comprises the loss from previous years, which have not been reclassified to the other reserves. The general reserve also shows

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the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on employee gratuity after deduction of deferred taxes.

Other components of equity: 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 until the asset has been sold or impaired.

2.19 Revenue from contracts with customers

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

	Sale of diary products N'000	Sale of ice cream N'000	Sale of juice N'000	Sale of ELN Products N'000	Total N'000
Point in time	14,160	7,796	620	1,454	24,031

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

	N'000
Contract liabilities - customer deposits	-
Contract liabilities - rebates	264,607
	264,607

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.

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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

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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 2021, contract liabilities of N264.6 million (2020: N359.2 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 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.

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.

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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.

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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, 2018 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 2021 and 31 December 2020 respectively, is represented by the net carrying amounts of the financial assets in the statement of financial position.

	31 December 2021	31 December 2020
Trade receivables (Gross)	577,305	593,665
Related party receivables	573,324	342,304
Staff debtors	23,298	51,099
Cash and cash equivalents	1,265,694	1,468,826
Gross amount	2,439,621	2,455,894
Impairment of financial assets (note 14.1)	(52,002)	(69,357)
Net amount	**2,387,619**	**2,386,537**

Reconciliation of gross carrying amount of trade receivables	**31 December 2021**	**31 December 2020**
Gross carrying amount as at 1 January	593,665	421,608
Revenue from contracts with customers	24,030,821	14,946,277
Receipts from customers	(24,047,181)	(14,774,220)
Gross carrying amount as at 31 December	**577,305**	**593,665**

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 2021 and 31 December 2021 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

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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:

	Effect on profit before tax 2021 N'000
Increase/decrease in estimated cash flows	
+20%	10,400
-20%	(10,400)

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:

		31 December 2021 N'000
Increase / decrease in inflation rate		
Increase	+10%	(176)
Decrease	-10%	2,497
Increase / decrease in GDP growth rate		**31 December 2021** N'000
Increase	+10%	1,035
Decrease	-10%	(73)

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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 2021 and 31 December 2021 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	**31 December 2021 N'000**	**31 December 2020 N'000**
Credit quality derived using external credit rating		
A+	-	78,428
A-	10,368	5,196
AAA+	712,072	314,725
B+	66	183,055
B	72,827	147,762
B-	105,745	634,667
Non- rated	467,612	104,994
	1,368,690	**1,468,827**

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

Notes to the Financial Statements

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:

31 December 2021 (N'000)	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Total
Financial liabilities					
Borrowings					
Bank borrowings	-	-	1,824,971	-	1,824,971
Lease liabilities	-	-	187,028	-	187,028
Trade and other payables	-	-	9,022,111	-	9,022,111
Total financial liabilities	**-**	**-**	**11,034,110**	-	**11,034,110**

31 December2020 (N'000)	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Total
Financial liabilities					
Borrowings					
Bank borrowings	502,087	-	-	-	502,087
Lease liabilities	-	-	18,533	-	18,533
Trade and other payables	-	-	5,818,725	-	5,818,725
Total financial liabilities	**502,087**	**-**	**5,837,258**	**-**	**6,339,345**

Notes to the Financial Statements

3.4 Market risk

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

3.4.1 Interest rate risk

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

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

31 December 2021 (N'000)	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
Assets				
Trade and other receivables	2,196,133	-	-	2,196,133
Cash and cash equivalents	1,265,694	-	1,265,694	-
	3,461,827	**-**	**1,265,694**	**2,196,133**
Liabilities				
Borrowings				
Bank borrowings	(1,740,732)	(3,565,703)	1,824,971	-
Trade and other payables	10,032,589	-	-	10,032,589
	8,291,857	**3,565,703**	**1,824,971**	**10,032,589**

31 December 2020 (N'000)	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
Assets				
Trade and other receivables	1,168,702	-	-	1,168,702
Cash and cash equivalents	1,468,826	-	1,468,826	-
	2,637,528	**-**	**1,468,826**	**1,168,702**
Liabilities				
Borrowings				
Bank borrowings	502,086	-	502,086	-
Bank overdraft	-	-	-	-
Trade and other payables	7,019,537	-	-	7,019,537
	7,521,623	**-**	**502,086**	**7,019,537**

Notes to the Financial Statements

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.

31 December 2021 (N'000)	Euro	CFA	Dollar
Liabilities			
Trade and other payables	594	-	12,350
Total	**594**	**-**	**12,350**

31 December 2020 (N'000)	Euro	CFA	Dollar
Liabilities			
Trade and other payables	**662**	**238,545**	**9,298**
Total	**662**	**238,545**	**9,298**

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

	31 December 2021	31 December 2020
Effect of 1% movement in EUR on profit before tax (N'000)	2,875	3,204
Effect of 1% movement in USD on profit before tax (N'000)	48,724	36,683
Effect of 1% movement in CFA on profit before tax (N'000)	-	1,760
	51,599	**41,647**

Financial instruments measured at fair valueIFRS 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:

Notes to the Financial Statements

- **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.

	At 31 December 2021		At 31 December 2020	
	Carrying value N'000	**Fair value N'000**	**Carrying value N'000**	**Fair value N'000**
Financial assets				
Cash and cash equivalents	1,265,694	1,265,694	1,468,826	1,468,826
Trade and other receivables	1,128,829	1,128,829	921,371	921,371
	2,394,523	**2,394,523**	**2,390,197**	**2,390,197**
Financial liabilities				
Borrowings				
Bank borrowings	(1,740,732)	(1,740,732)	502,086	502,086
Trade and other payables	9,022,111	9,022,111	5,818,725	5,818,725
	7,281,379	**7,281,379**	**6,320,811**	**6,320,811**

Notes to the Financial Statements

4. Capital management

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

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

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

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

4.1 Gearing ratio

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

	31 December 2021	31 December 2020
Debt (note i)	5,390,674	502,087
Cash and cash equivalents	(1,265,694)	(1,468,826)
Net debt	4,124,980	(966,739)
Equity (note ii)	5,705,544	4,520,821
Net debt to equity	**(10%)**	**(10%)**

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.

Notes to the Financial Statements

- 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 2021 and 2020.

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 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

Notes to the Financial Statements

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.

5.3 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 2.9.

Additional information on impaired receivables is included in note 14.1.

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

Notes to the Financial Statements

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 2021	31 December 2020
	N'000	N'000
Sale of diary products	14,160,328	11,763,717
Sale of ice cream	7,796,268	2,737,974
Sale of juice	620,489	319,339
Sale of ELN Products	1,453,736	125,247
	24,030,821	**14,946,277**

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 2021	31 December 2020
	N'000	N'000
Contract liabilities - customer deposits	-	89,104
Contract liabilities - rebates	264,607	270,068
	264,607	**359,172**

7. Expenses by Nature

	31 December 2021	31 December 2020
	N'000	N'000
Cost of sales		
Raw materials and consumables used	13,368,930	6,574,554
Employee benefit expense (note 8)	803,784	573,501
Rent and rates	851,310	550,862
Repairs and maintenance	501,914	462,860
Depreciation (note 12.1)	753,274	775,803
	16,279,211	**8,937,580**
Distribution Expenses		
Employee benefit expense (note 8)	977,086	831,256
Rent and rates	633,261	423,141
Advertising, sales promotion and corporate marketing	691,112	488,773
Repairs and maintenance	954,613	731,689
Depreciation charge of right-of-use assets (note 12.1)	24,157	61,071
Depreciation (note 12.1)	215,765	268,726
	3,495,994	**2,804,656**

Notes to the Financial Statements

Administrative Expenses		
Directors fees	6,608	6,135
Office expenses	736,683	598,196
Employee benefit expense (note 8)	546,119	610,678
Audit fees	27,738	16,597
Other expenses	159,862	198,010
Repairs and maintenance	339,411	280,186
Depreciation (note 12.1)	536,847	484,805
Amortisation of intangible assets (note 12.2)	1,083	1,083
Bank charges	259,826	147,387
Exchange losses	264,315	114,908
	2,878,492	**2,457,985**

8 Employee Benefit Expense

	31 December 2021	31 December 2020
	N'000	N'000
Wages, salaries and allowances	1,970,046	1,707,750
Pension costs - defined contribution plans	90,761	81,265
Pension costs - defined benefit plans	65,557	49,941
Medical, welfare and training	200,624	176,480
	2,326,989	**2,015,436**

9 Other income

	31 December 2021	31 December 2020
	N'000	N'000
Insurance claims received		
Gain/(loss) on sale of property, plant and equipment	111,158	979
*Sundry income	78,536	47,914
Write-back of provisions on trademark license	-	291,858
Refund of excess bank charges	-	62,972
	189,694	**403,723**

*Sundry 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

	31 December 2021	31 December 2020
	N'000	N'000
Finance cost:		
- Bank borrowing	(75,444)	(13,428)
- Overdrafts	-	(44,995)
- Interest on actuarial valuation	(96,036)	(92,266)
- Interest on lease liability	(7,309)	(536)
Total finance costs	**(178,789)**	**(151,225)**
Less: amounts capitalised on qualifying assets	-	-
Total finance costs charged to profit or loss	(178,789)	(151,225)

Notes to the Financial Statements

	Net finance costs	**(178,789)**	**(151,225)**

		31 December 2021	31 December 2020
11	**Income tax**	**N'000**	**N'000**
	Current income tax charge	-	-
	Prior year under provision	-	-
	Capital gains tax	-	-
	Education tax	122,477	64,614
	Income tax	-	37,747
	Total current tax charge	**122,477**	**102,361**
	Deferred tax (note 18)		
	Origination and reversal of temporary differences	412,347	140,777
	Total deferred tax	**412,347**	**140,777**
	Income tax	**534,824**	**243,138**
	*Income tax from assesment		
	Total income tax	**534,824**	**243,138**

The tax credit relating to components of other comprehensive income is as follows:

	31 December 2021		
	Before tax	**Tax credit**	**After tax**
	N'000	**N'000**	**N'000**
Actuarial loss on post employment benefit obligations			
Actuarial gain on post employment benefit obligation	499,123	(149,737)	349,386
Other comprehensive income	**499,123**	**(149,737)**	**349,386**

	31 December 2020		
	Before tax	**Tax credit**	**After tax**
	N'000	**N'000**	**N'000**
Actuarial loss on post employment benefit obligations	-	-	-
Actuarial gain on post employment benefit obligation	(266,479)	79,944	(186,535)
Other comprehensive income	**(266,479)**	**79,944**	**(186,535)**

The current tax charge has been computed at the applicable rate of 30% (31 December 2021: 30%) plus education tax levy of 2% (31 December 2021: 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.

Notes to the Financial Statements

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 2021	31 December 2020
	N'000	N'000
At start of the year	84,052	185,298
Tax paid	(219,604)	(203,607)
Income tax charge	122,477	102,361
At end of the year	**(13,075)**	**84,052**

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 2021	31 December 2020
	N'000	N'000
Profit before tax:	1,405,384	953,798
Income tax using the domestic corporation tax rate @30%	421,615	286,139
Education tax	61,856	64,614
Effect of permanent differences	504,898	937,657
Adj Capital allowance	(742,269)	-
Exempt timing differences	(184,244)	(1,105,393)
Police trust fund	70	-
Tertiary education tax on temporary difference	-	22,374
Deferred tax	412,347	-
Minimum tax	60,551	37,747
Total income tax expense in profit	**534,824**	**243,137**
Current	**(13,075)**	**84,052**

Notes to the Financial Statements

12.1 Property, plant and equipment

	Leasehold land buildings	Right of Use Assets	Right of Used Assets - MV	Plant and machinery & Spares	Furniture and Fittings	Motor vehicles	Milk crates, conservators bicycles and boxes	Construction and work in progress	Total
	N'000			N'000	N'000	N'000	N'000	N'000	N'000
Cost									
At 1 January 2021	**1,444,822**	**362,887**	**-**	**10,224,367**	**2,681,061**	**2,160,108**	**2,557,559**	**2,851,607**	**22,282,411**
IFRS 16									-
Additions	168,143	140,693	200,716	3,925,649	432,519	317,520	70,775	344,386	4,911,630
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(8,832)	(1,949)	(30,274)	(53,603)	-	(94,656)
At 31 December 2021	**1,612,966**	**503,580**	**200,716**	**14,141,185**	**3,111,631**	**2,447,354**	**2,574,730**	**2,507,221**	**27,099,384**
Accumulated depreciation and Impairment									
At 1 January 2021	**(418,988)**	**(85,342)**	**-**	**(8,429,768)**	**(1,974,789)**	**(1,771,683)**	**(2,171,109)**	**-**	**(14,851,679)**
Charge for the year	(31,567)	(24,157)	(11,106)	(721,707)	(293,590)	(232,152)	(215,765)	-	(1,530,044)
Impairment charges	-			-	-	-	-	-	-
Reversal of impairment charges	-			-	-	-	-	-	-
Disposals	-	-	-	8,832	1,585	30,274	23,714	-	64,404
At 31 December 2021	**(450,556)**	**(109,499)**	**(11,106)**	**(9,142,643)**	**(2,266,794)**	**(1,973,561)**	**(2,363,160)**	**-**	**(16,317,319)**
Net book value at 31 December 2021	**1,162,410**	**394,081**	**189,610**	**4,998,542**	**844,838**	**473,793**	**211,570**	**2,507,221**	**10,782,065**
Cost									
At 1 January 2020	**1,419,217**	**155,116**	**-**	**10,123,362**	**2,499,910**	**2,198,511**	**2,507,638**	**409,454**	**19,313,208**
Additions	31,230	207,771	-	447,226	213,555	57,788	131,913	2,442,153	3,531,636
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	(5,625)	-	-	(346,221)	(32,404)	(96,191)	(81,992)	-	(562,434)
At 31 December 2020	**1,444,822**	**362,887**	**-**	**10,224,367**	**2,681,061**	**2,160,108**	**2,557,559**	**2,851,607**	**22,282,411**
Accumulated depreciation and Impairment									
At 1 January 2020	**(396,192)**	**(24,271)**	**-**	**(8,058,651)**	**(1,729,364)**	**(1,619,085)**	**(1,982,223)**	**-**	**(13,809,786)**
Charge for the year	(28,421)	(61,071)	-	(709,964)	(276,714)	(245,509)	(268,726)	-	(1,590,404)
Disposals	5,625	-	-	338,847	31,289	92,911	79,840	-	548,513
At 31 December 2020	**(418,988)**	**(85,342)**	**-**	**(8,429,768)**	**(1,974,789)**	**(1,771,683)**	**(2,171,109)**	**-**	**(14,851,679)**
Net book value at 31 December 2020	**1,025,834**	**277,545**	**-**	**1,794,599**	**706,272**	**388,425**	**386,450**	**2,851,607**	**7,430,732**

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12.2 Intangible assets

		Computer software
		N'000
Cost		
At 1 January 2021		57,598
Additions		-
At 31 December 2021		**57,598**
Accumulated amortisation		
At 1 January 2021		54,984
Amortisation charge		1,083
At 31 December 2021		**56,067**
Net book amount at 31 December 2021		**1,531**
Cost		
At 1 January 2020		57,598
Additions		-
At 31 December 2020		**57,598**
Accumulated amortisation		
At 1 January 2020		53,901
Amortisation charge		1,083
At 31 December 2020		**54,984**
Net book amount at 31 December 2020		**2,614**
Cost		
At 1st January 2020	30,709	30,709
Disposals		-
Additions	8,562	8,562
At 31st December 2020	39,271	39,271

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

13 Inventories

	31 December 2021	31 December 2020
	N'000	N'000
Finished goods	1,388,237	353,190
Raw and packing materials	3,500,207	1,710,630
Non trade stock	100,107	24,407
Goods in transit	3,315,168	1,285,088
Provision for obsolete stock	(86,207)	(30,376)
	8,217,512	**3,342,939**

Notes to the Financial Statements

14 Trade and other receivables

	31 December 2021	31 December 2020
	N'000	N'000
Trade receivables	525,303	524,308
Staff debtors	23,298	51,099
Due from related parties (note 25)	573,324	342,304
Other receivables	6,904	3,659
Prepayments (Custom Duty & Cash Advance)	1,067,304	247,331
	2,196,133	**1,168,702**
*Other receivable relates to prepaymnets other than custom duty prepayments.		
Trade receivables - net	525,303	524,308
Reversal/(Impairment) on trade receivables	52,002	69,357
Gross trade receivables	**577,305**	**593,665**

14.1 Impairment of financial assets

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

	31 December 2021	31 December 2020
	N'000	N'000
At 1 January	69,357	24,602
Reversal/(Impairment) charge for the year	(17,355)	44,755
At 31 December	**52,002**	**69,357**

15 Cash and cash equivalents

	31 December 2021	31 December 2020
	N'000	N'000
Cash in hand	467,612	104,994
Cash at bank	798,082	1,363,832
Cash and cash equivalents	**1,265,694**	**1,468,826**

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

	31 December 2021	31 December 2020
	N'000	N'000
Cash and cash equivalents	1,265,694	1,468,826
Cash and cash equivalents	**1,265,694**	**1,468,826**

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16 Share capital

	31 December 2021	31 December 2020
Authorised share capital	**N'000**	**N'000**
Ordinary shares (1,800,000,000 @50k each)	900,000	900,000
Preference shares (200,000,000 @50k each)	100,000	100,000
	1,000,000	**1,000,000**
Issued and fully paid		
Ordinary shares		
1,163,033,349 ordinary shares of 50k each	**581,517**	**581,517**
At 31 December	**581,517**	**581,517**

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 capital of the Company.

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:

	2021		
	Number	**Share capital**	**Share premium**
	'N000	**N'000**	**N'000**
As at 1 January	1,163,033	581,517	4,241,575
Shares issued in the year	–	–	–
Less: Transaction costs arising on share issues	–	–	–
As at 31 December	**1,163,033**	**581,517**	**4,241,575**

	2020		
	Number	**Share capital**	**Share premium**
	N'000	**N'000**	**N'000**
As at 1 January	1,163,033	581,517	4,241,575
Shares issued in the year	–	–	-
Less: Transaction costs arising on share issues	–	–	–
As at 31 December	**1,163,033**	**581,517**	**4,241,575**

Notes to the Financial Statements

17. Earnings per share

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

	2021	2020
Profit attributable to equity holders of the Company (N'000)	1,184,724	524,125
Weighted average number of ordinary shares in issue ('000)	1,163,033	1,163,033
Basic and diluted earnings per share (kobo)	102	45

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 38.1% (2020: 25.5.0%). 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:

	31 December 2021	31 December 2020
Deferred tax liabilities	**N'000**	**N'000**
Deferred tax liability to be recovered after more than 12 months.	1,191,865	779,518
Deferred tax liability to be recovered within 12 months	(3,877)	-
	1,187,988	**779,518**
Deferred tax assets	78,556	
Deferred tax asset to be recovered after more than 12 months.	525,759	675,496
Deferred tax asset to be recovered within 12 months	161,801	161,801
	687,560	**837,296**
Net deferred tax assets	**(500,428)**	**57,778**

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

Deferred income tax assets	1 January 2021	Recognised in Profit or loss	Recognised in OCI	31 December 2021
	N'000	**N'000**	**N'000**	**N'000**
Employment benefit obligation	306,381	-	(149,737)	156,644
Unrealised exchange loss	161,801	-	-	161,801
Property, plant and equipment	337,831	-	-	337,831
Provisions	31,284	-	-	31,284
	837,297	**-**	**(149,737)**	**687,560**

Notes to the Financial Statements

Deferred income tax assets	1 January 2020	Recognised in Profit or loss	Recognised in OCI	31 December 2020
	N'000	N'000	N'000	N'000
Employment benefit obligation	210,697	15,740	79,944	306,381
Unrealised exchange loss	20,572	141,229	-	161,801
Property, plant and equipment	20,533	317,298	-	337,831
Provisions	20,942	10,342	-	31,284
	272,744	**484,609**	**79,944**	**837,297**

Deferred income tax liabilities	1 January 2021	Recognised in Profit or loss	Recognised in OCI	31 December 2021
	N'000	N'000	N'000	N'000
Property, plant and equipment	779,518	412,347	-	1,191,865
Lease liabilities/Actuarial loss	-	-	-	-
Unrealised exchange gain	-	-	-	-
	779,518	**412,347**	**-**	**1,191,865**

Deferred income tax liabilities	1 January 2021	Recognised in Profit or loss	Recognised in OCI	31 December 2021
	N'000	N'000	N'000	N'000
Property, plant and equipment	110,538	668,980	-	779,518
Unrealised exchange gain	43,594	(43,594)	-	-
	154,132	**625,386**	**-**	**779,518**

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

Notes to the Financial Statements

by the employee) of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. Defined contibution payable as at 31 December 2021 amounted to N18.2 million (2020: N16.7 million). This is presented within 'other accruals' in trade and other payables.

Defined benefit scheme

(a) Staff gratuity plan

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

(b) Long service award

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

Statement of financial position liability for:	31 December 2021	31 December 2020
	N'000	N'000
Staff gratuity plan	536,899	912,988
Long service award	42,832	70,497
	579,731	**983,485**

Staff gratuity plan

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

	31 December 2021	31 December 2020
	N'000	N'000
Present value of unfunded obligations	536,899	912,988
Liability in the balance sheet	**536,899**	**912,988**

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

	31 December 2021	31 December 2020
	N'000	N'000
Opening defined benefit obligation	912,988	609,574
Current service cost	60,290	40,254
Interest cost	89,322	84,247
-Actuarial loss arising from changes in economic assumptions	-	266,479
-Actuarial gain arising from experience adjustments	(463,901)	-
Past service cost including curtailment losses	-	-
Benefits paid	(61,800)	(87,566)
Closing defined benefit obligation	**536,899**	**912,988**

Notes to the Financial Statements

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

	2021	2020
	N'000	N'000
Current service cost	60,290	40,254
Past service cost including curtailment gains and losses	-	-
Interest expense	89,322	84,247
Components of defined benefit costs recognised in profit or loss	**149,612**	**124,501**
Remeasurement of the defined benefit obligation		
-Actuarial gain arising from experience adjustments	(463,901)	-
-Actuarial loss arising from changes in economic assumptions	-	266,479
Components of defined benefit costs recognised in other comprehensive income	**(463,901)**	**266,479**
Total	**(314,289)**	**390,980**

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 principal actuarial assumptions were as follows:	31 December 2021	31 December 2020
	N'000	N'000
Average long term discount rate (p.a.)	13%	14%
Average long term pay increase (p.a.)	15%	16%

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	536,899
Discount rate	+1%	500,168
	-1%	577,803
Inflation rate	+0.25%	527,347
	-0.25%	546,712
Mortality experience		
	Improves by 1 year	
	Worsen by 1 year	

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.

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:

	N'000
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 2021 was 9 years and 5 months.

b. Long service award

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

	31 December 2021	31 December 2020
	N'000	N'000
Present value of unfunded obligations	**42,833**	**70,498**
Liability in the balance sheet	42,833	70,498

Notes to the Financial Statements

Movement in the present value of the long service award in the current year were as follows:

	31 December 2021 N'000	31 December 2020 N'000
Opening long service award obligation	70,498	62,061
Current service cost	5,267	4,637
Interest cost	6,714	8,019
-Actuarial loss arising from change in assumption	-	5,050
-Actuarial (gains)/losses arising from experience adjustments	(35,222)	-
Past service costs (including losses curtailments)	-	-
Benefits paid	(4,424)	(9,269)
Closing long service award obligation	**42,833**	**70,498**

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

	31 December 2021 N'000	31 December 2020 N'000
Current service cost	5,267	4,637
Past service costs (including losses on curtailments)	-	-
-Actuarial loss arising from change in assumption	-	5,050
Interest expense	6,714	8,019
Components of defined benefit costs recognised in profit or loss	**11,981**	**17,706**
Remeasurement of the defined benefit obligation		
-Actuarial (losses)/gains arising from experience adjustments	(35,222)	-
Components of defined benefit costs recognised in other comprehensive income	(35,222)	-
Total	**(23,241)**	**17,706**

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 expense in profit/loss account. The entire interest expense for the year has been included in finance costs.

Notes to the Financial Statements

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

Base	See above	42,833
Discount rate	+1%	41,477
	-1%	44,280
Inflation rate	+0.25%	42,485
	-0.25%	43,185
Mortality experience	Improves by 1 year	43,774
	Worsens by 1 year	44,009

The maturity profile of long service award is shown below:

	N'000
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 2021 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.

Notes to the Financial Statements

20 Borrowings

	31 December 2021	31 December 2020
	N'000	N'000
Current		
Bank borrowings	1,824,971	502,087
Fan Milk International (FMI) loans	3,565,703	-
Bank overdraft	-	-
	5,390,674	**502,087**
Total borrowings	**5,390,674**	**502,087**

This is further analysed	**31 December 2021**	**31 December 2020**
Term Loans	**N'000**	**N'000**
Fan Milk International (FMI) loans (Note 20.1)	3,565,703	-
Bankers import finance facilities (Note 20.1)	1,824,971	502,087
	5,390,674	**502,087**
Other borrowings		
Bank overdraft	-	78,428
	-	**78,428**
Total Borrowings	**5,390,674**	**580,515**

20.1 Banker Import Finance Facilities

This was an import finance facility obtained from Stanbic IBTC Bank Plc in October 2021 to finance importation with an interest rate of 12%. This was secured by a negative pledge over the assets of the company.

Notes to the Financial Statements

20.2 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	31 December 2021	31 December 2020
Gross finance lease liabilities- minimum lease payments	**N'000**	**N'000**
Not later than 1 year		
Later than 1 year and no later than 5 years	187,028	18,533
Later than 5 years	-	-
Future finance charge on finance lease liabilities	187,028	18,533
Present value of finance lease liabilities		
	187,028	**18,533**

Trade and other payables	31 December 2021	31 December 2020
	N'000	**N'000**
Trade payables	3,130,112	875,774
Due to related parties (note 25)	5,565,940	4,604,307
Other payables	159,237	307,486
Lease liability	187,028	18,533
*Other accruals	990,272	1,213,437
	10,032,589	**7,019,537**

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

Other payables relate to VAT, WHT and PAYE not yet remitted by the company as at end of the year. It also includes workmen compensation payables

21.1 Lease liability	31 December 2021	31 December 2020
	N'000	**N'000**
Lease liabilities at the beginning of the year	18,533	2,469
Additions	168,495	18,528
Interest expense for the year	-	536
Payments made during the period	-	(3,000)
Closing balance at the the end of the year	**187,028**	**18,533**
Currentlease liabilities	187,028	18,533
Non-current lease liabilities	-	-
	187,028	**18,533**

Notes to the Financial Statements

22. Dividend payable

	31 December 2021	31 December 2020
	N'000	N'000
At 1 January and 31 December	**2,437**	**2,437**
Declared during the year	-	-
Payment in the year	-	-
At 31 December	**2,437**	**2,437**

23. Reconciliations of profit before tax to cash generated from operations

	31 December 2021	31 December 2020
	N'000	N'000
Profit before income tax including discontinued operations	1,405,384	953,798
Adjustments for:		
- Depreciation of property, plant and equipment (note 12.1)	1,575,229	1,579,897
- Impairment of trade and other receivables (note 14.1)	(17,355)	44,755
- Amortisation of intangible assets (note 12.2)	1,083	1,083
- Current service & interest cost on post employment benefits (note 19)	161,593	142,207
- Interest expense	75,444	13,964
- (Gain)/Loss on disposal of property, plant and equipment (note 9)	(111,158)	(979)
Increase in inventories	(4,874,573)	(750,132)
(Decrease)/Increase in contract liabilities	(94,565)	(75,246)
(Increase)/decrease in trade and other receivables	(1,010,076)	(434,871)
Interest expense on leases	-	536
Increase in Post Employment benefit payment	-	266,479
Increase in trade and other payables	3,013,052	2,911,305
Cash generated from operations	**124,058**	**4,652,796**

23.1 Profit on disposal of property, plant and equipment

Proceeds on disposal of property, plant and equipment	141,410	14,900
Less: net book value	30,252	13,921
Profit/(loss) on disposal of property plant and equipment	**111,158**	**979**

Notes to the Financial Statements

23.2 Non-cash investing and financing activities

	31 December 2021	31 December 2020
	N'000	N'000
Exchange differences on quasi-equity loan converted to equity	-	-

23.2 Net debt reconciliation

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

2021	Cash/ bank overdraft	Borrowings	Net debt
	N'000	N'000	N'000
As at 1 January	-	(136,989)	(136,989)
Cash flows	-	(4,734,715)	(4,734,715)
Other changes (i)	-	(75,444)	(75,444)
	-	**(4,947,148)**	**(4,947,148)**

2020	Cash/ bank overdraft	Borrowings	Net debt
	N'000	N'000	N'000
As at 1 January	(164,922)	(181,984)	(346,906)
Cash flows	164,922	58,423	223,345
Other changes (i)	-	(13,428)	(13,428)
	-	**(136,989)**	**(136,989)**

Other changes (i)

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

24. Contingent liabilities and commitments

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 crystalise 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.

Notes to the Financial Statements

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

Purchaseof goods and services	Relationship	31 December 2021	31 December 2020
		N'000	N'000
Fan Milk International	Parent Company	152,877	201,800
Emidan A/S	Sister company	7,265,764	4,152,152
*Other CBUs	Sister company	-	-
		7,418,641	**4,353,952**

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.

(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:

	31 December 2021	31 December 2020
	N'000	**N'000**
Salaries and other short-term employee benefits	39,600	39,600
Post-employment benefits (Gratuity & pension)	-	-
	39,600	**39,600**

Notes to the Financial Statements

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

Receivablesfrom related parties	Relationship	31 December 2021	31 December 2020
		N'000	N'000
Fan Milk Ghana	Sister company	68,917	68,917
Fan Milk Togo	Sister company	25,526	25,526
Fan Milk West Africa	Sister company	24,276	24,276
Fan Milk International	Parent company	170,507	-
Danone	Ultimate parent	82,843	170,507
Danone ELN (Early Life Nutrition)	Sister company	201,255	53,078
		573,324	**342,304**

Payablesto relatedparties	Relationship	31 December 2021	31 December 2020
		N'000	N'000
Fan Milk International	Parent company	426,605	335,849
Emidan A/S	Sister company	4,299,355	3,647,953
Danone	Ultimate parent	404,349	320,061
Fan Milk Ghana	Sister company	223,993	124,236
Fan Milk S.A. Togo	Sister company	176,657	176,022
Fan Milk Cote d'ivoire SA	Sister company	34,981	185
		5,565,940	**4,604,307**

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.

Notes to the Financial Statements

(d) Loans from related parties

	2021	2020
	N'000	N'000
Loans from Fan Milk International (FMI)		
At 1 January	-	-
Addition during the year	(3,565,703)	-
At 31 December	**(3,565,703)**	**-**

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:

Senior Staff	**Number**	**Number**
Production	42	24
Administrative	139	172
	181	196
Supervisory/Junior Staff		
Production	26	40
Administrative	160	190
	186	230
Total	**367**	**426**

The total employee benefits expense in the year comprise the following:	**2021**	**2020**
	N'000	**N'000**
Wages, salaries and allowances	1,970,046	1,707,750
Pension costs - defined contribution plans	90,761	81,265
Pension costs - defined benefit plans	65,557	49,941
Medical, welfare and training	200,624	176,480
	2,326,989	**2,015,436**

Notes to the Financial Statements

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

	Number	Number
N300,001 - N500,000	25	25
N500,001 - N700,000	39	39
N700,001 - N900,000	50	50
N900,001 - N1,000,000	11	11
Above N1,000,000	242	289
	367	**414**

	2021	2020
Directors emoluments	**N'000**	**N'000**
Fees paid to non-executive directors	18,600	18,600
Emoluments paid to executive directors	39,600	39,600
Fees of the chairman	3,600	3,600
Emolument of the highest paid director	31,100	31,100

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

	Number	Number
N2,000,001 - N3,000,000	6	6
N3,000,001 - N4,000,000	1	1
Above N4,000,000	1	1
	8	**8**

27. Compliance with regulatory bodies

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

28. Non-Audit Services

a - No non- audit service has been rendered by Mazars to the company.

b - Non-audit and other forms of assurance services have been rendered on the financial statements. The details of the professional firm is disclosed below:

Name of Signer	FRC number	Name Of Firm	Service rendered
Kriz David	FRC/2013/ICAN/0000004228	Midaspage & Company Tax compliance service	Tax compliance services

Notes to the Financial Statements

29 Impact of Covid-19

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 Organisation (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 restriction of public facilities and physical interaction.

The Directors have ascertained that the pandemic does not have any impact on the Company's financial position as at 31 December 2021.

However, its reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions used for some estimates and judgement, could require a material adjustment to the carrying amount of the asset or liability affected.

30. Events after statement of financial position date

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

Statement of Value Added

	2021		2020	
	N'000	%	N'000	%
	24,030,821		14,946,277	
Turnover				
Other income	189,695		403,724	
	24,220,516		**15,350,001**	
Cost of goods and services				
-Local	(15,712,713)		(7,890,079)	
-Imported	(2,496,188)		(2,496,188)	
Value added	**6,011,615**	**100**	**4,963,734**	**100**
Distributed as follows:				
To pay employees				
- Salaries and allowances, pension and welfare	2,326,989	39	2,015,436	41
To pay government				
- Company taxation	122,477	2	102,361	2
To pay finance houses and overseas suppliers				
- Interests and bank charges	702,931	12	413,521	8
To pay providers of capital				
- Dividend	-	-	-	-
Retained for maintenance of assets and future expansion of business				
- Deferred taxation	412,347	7	140,777	3
- Depreciation of property, plant and equipment	1,576,312	26	1,580,980	32
- Profit for the year	870,560	14	710,660	14
Value added	**6,011,615**	**100**	**4,963,735**	**100**

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

Five-year Financial Summary

	2021	2020	2019	2018	2017
Statement of financial position	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Property, plant and equipment	10,782,065	7,430,732	5,503,423	5,484,427	5,690,379
Deferred tax assets	687,560	837,296	252,173	223,970	363,346
Intangible assets	1,531	2,614	4,745	6,334	4,467
Net current liabilities	**(3,997,893)**	**(1,986,818)**	**(937,878)**	**(1,497,764)**	**(4,686,721)**
Deferred tax liability	(1,187,988)	(779,518)	(154,132)	(41,609)	-
Creditors: Amount due after one year	(579,731)	(983,485)	(671,635)	(640,442)	(929,005)
Net assets	**5,705,544**	**4,520,821**	**3,996,696**	**3,534,916**	**442,466**
Ordinary share capital	581,517	581,517	581,517	581,517	499,908
Share premium reserve	4,241,575	4,241,575	4,241,575	4,241,575	1,098,865
Other reserve	676,440	362,276	362,276	362,276	362,276
General reserves	206,012	(664,547)	(1,188,672)	(1,650,452)	(1,518,583)
Shareholders' funds	**5,705,544**	**4,520,821**	**3,996,696**	**3,534,916**	**442,466**
Statement of profit or loss					
Turnover	24,030,821	14,946,277	13,473,589	11,161,366	11,752,265
Profit/(Loss) before taxation	1,405,384	953,798	896,275	(147,358)	(1,115,761)
Taxation	(534,824)	(243,138)	(434,496)	52,070	234,607
Profit/(Loss)after taxation	**870,560**	**710,660**	**461,779**	**(95,288)**	**(881,154)**
Earnings/(Loss) per ordinary share (kobo) - Basic	**102**	**45**	**(40)**	**(8)**	**(160)**
Earnings/(Loss) per ordinary share (kobo) - Diluted	**102**	**45**	**(40)**	**(8)**	**(160)**

Earnings/(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 N0.50 ordinary shares during each year.

Photo Gallery

FAN MILK PLC

57TH ANNUAL GENERAL MEETING

PROXY FORM

At the 57th Annual General Meeting of the members of FAN MILK PLC will be held at at Executive Lounge, Radisson Blue Hotel Ikeja,42/44 Isaac john Street, Ikeja GRA, Lagos.

I/We

....
being a member/members of FAN MILK PLC hereby appoint..
as 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 Monday 27th June 2022 and at any Adjournment thereof.

Date this................day of..........................2022

Shareholder's Signature

....
(Corporate must execute under it's common seal)

RESOLUTIONS	FOR	AGAINST
To lay before the members, the Report of Directors, the Audited Financial Statements for the year ended 31 December 2021together with the Reports of the Audit Committee and Independent Auditos thereon.		
To re-elect the following Directors retiring by rotation:		
(a) Mr. Olayinka Akinkugbe		
(b) Dr. Babatunde Ajibade(SAN)		
2. To authorize Directors to fix the remuneration of the Auditors		
3. To disclose the remuneration of the Managers of the Company		
4. To elect members of the Audit Committee. .		
(B) SPECIAL BUSINESS		
To fix the remuneration of the Directors		

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

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

ii To be valid, all proxies, when completed should be deposited with the Registrars, Greenwish 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 authorised in the behalf.

Before posting the above form, please tear o ffthis part and retain it for admission to the meeting

FAN MILK PLC ANNUAL GENERAL MEETING

ADMISSION CARD

PLEASE ADMIT

____

TO THE

57TH ANNUAL MEETING OF FANMILK PLC

Which will hold at Executive Lounge, Radisson Blue Hotel Ikeja,
42/44 Isaac John Street, Ikeja GRA, Lagos.
On Monday 27th June 2022 at 12:00 pm

______________________ ______________________

Name of Shareholder | Signature of Person attending

Note:

(a) This admission card must be produced by the shareholder or his proxy to obtain entrance to the Annual General Meeting.

(b) Shareholder or their proxies are requested to sign the admission cards at the entrance on the day before attending the meeting.

Fan Milk Plc
Company Secretary
Plot 1c, Eleyele Industrial Layout, Ibadan, Oyo State, Nigeria

Number of Shares Held

____

Full Name and Address of Shareholder

____
____
____

FAN MILK PLC
SHAREHOLDERS DATA UPDATE

This is to inform share holders of FAN MILK PLC in our stable to update their peronal details such as:

Surname:.................................
First Name:...Other Names:..
Email 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 Address(to be used as update)...
....
Next of Kin:..Next of Kin Phone Number..
Next of Kin Address:..

I/We hereby authorise FAN MILK PLC to update my/our shareholding account(s) with the above information

....

Individual Shareholder   Joint Shareholders Signature

GREENWICH

Affix Current Passport Photograph

E-DIVIDEND MANDATE ACTIVATION FORM

Date DD MM YY

Instructions

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

Bank Mandate Information

I\We hereby request that henceforth, all the 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	DD MM YY

Shareholders Account Information

Surname/Company Name	First Name	Other Name(s)

Address

City	State	Country

Previous Address (if any)

CSCS Clearing House Number	Email Address
Mobile Number (1)	**Mobile Number (2)**
Shareholder's Signature	**2nd Signatory** (Joint/Company Accounts)

Company Seal (if applicable)

By signing above, the Grantee(s) consents that the Company may process the Grantee's personal data, including name, BVN, address, telephone number and any other relevant information/documentation provided during the course of this transaction.
Also, the Data may also be disclosed to a third party for the purpose of processing the transaction.

Only Clearing Banks Are Acceptable

Tick	Company Name	Shareholders Account No.
	11 PLC	
	2LP Management Company Limited Series 1	
	Abplast Products PLC	
	Allianz Nigeria Plc (erstwhile Union Assurance Company Limited; Ensure Insurance)	
	Aluminum Extrusion PLC	
	Axxela Bond	
	Cashew Nuts Processing Industries PLC	
	Chellarams PLC	
	Christlieb PLC	
	DANA Group of Companies PLC Series 1 & 2	
	DN Tyre & Rubber PLC	
	Ekiti State Bond Tranche 2	
	Ekiti State Government Bond	
	EKOCORP PLC	
	Eterna PLC	
	FAN Milk PLC	
	General Telecoms PLC	
	GlaxoSmithKline Nigeria PLC	
	Global Biofuel Nigeria LTD	
	Great Nigeria Insurance PLC	
	Greenwich Alpha ETF	
	Greenwich Money Market Fund	
	Ikeja Hotels PLC	
	Impresit Bakolori PLC	
	Industrial & General Insurance PLC	
	IPWA PLC	
	John Holts PLC	
	Julius Berger Nigeria PLC	
	Kajola Integrated & Investment Company PLC	
	Lennard Nigeria PLC	
	Local Contractors Receivables Bond Tranche 1, 2 & 3	
	Meyer PLC	
	Municipality Waste Management Contractors Limited Series I,II & III	
	Nestle Nigeria PLC	
	Nigeria Cement Company PLC	
	Nigeria Entertainment Fund	
	Nigeria Reinsurance	
	Nigerian Enamelware PLC	
	Nigerian Lamp & Industries	
	Nigerian Wire & Cable PLC	
	Nova Bond Series I	
	Okitipupa Oil Palm PLC	
	Oluwa Glass Company	
	Primero BRT Securitization SPV	
	Studio Press Nigeria PLC	
	Sush SPV Bond II	
	The Tourist Company of Nigeria PLC	
	Tripple Gee & Company PLC	
	Unilever Nigeria PLC	
	Union Homes REITS	
	Union Homes Savings & Loans PLC	
	University Press PLC	
	Wema Bank PLC	
	Wema Funding SPV Plc Bond Series I & II	

THIS SERVICE COSTS ₦150.00 PER APPROVED MANDATE, PER COMPANY


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Notes