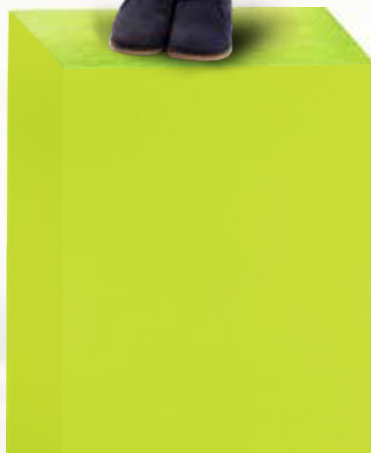




**FrieslandCampina** 

FrieslandCampina WAMCO Nigeria PLC

# Annual Report 2016





## we believe in values

### accountability

Ownership for making it happen

### action

Growth of people and business

### alignment

Clarity on how we win together

# contents

## general

4	Financial highlights
5	Corporate directory
8	Notice of annual general meeting
10	Chairman's statement
16	The board of directors
17	Board of directors' profile
18	Management team
19	Management team profile

20	Directors and other corporate information
21	Report of the directors
29	Statement of directors' responsibilities
34	Report of the audit committee
35	Independent auditor's report
39	Statement of financial position
40	Statement of profit or loss and other comprehensive income
41	Statement of changes in equity

42	Statement of cash flows
43	Notes to the financial statements
78	Other national disclosures
84	Other company activities
107	Proxy form
109	E-Dividend activation form
110	E-Products activation form
111	Notes



## financial highlights

	2016 ₦'000	2015 ₦'000	% Increase/ (Decrease)
Revenue	<b>123,749,286</b>	120,716,682	2%
Profit before income tax	<b>19,963,190</b>	18,615,978	7%
Profit for the year	<b>13,862,217</b>	13,346,803	4%
Share capital	<b>488,168</b>	488,168	0%
Total equity	<b>16,287,870</b>	14,844,649	9%
Per sharedata			
Number of 50k ordinary shares	<b>976,335,936</b>	976,335,936	0%
Basic earnings	<b>14.20</b>	13.67	4%
Interim dividend paid	<b>2.95</b>	3.96	-34%
Final dividend proposed	<b>7.70</b>	9.77	-27%
Number of employees	<b>681</b>	734	-8%

## corporate directory

### Head office

FrieslandCampina WAMCO Nigeria PLC  
Plot 7b Acme Road  
Ogba Industrial Estate  
P.M.B 21319, Ikeja  
Lagos  
Tel: + 234 (01) 271 5100  
info.wamco@frieslandcampina.com  
www.frieslandcampina.com.ng

### Lagos sales office

FrieslandCampina WAMCO Nigeria PLC  
Plot 7b Acme Road  
Ogba Industrial Estate  
Ikeja  
Lagos State

### Ogun sales office

2nd Floor, 167 Idiroko Road  
(Rainbow Towers Complex)  
Opp. Ansarul-Deen Jnr. Sec. Sch  
Ota, Ogun State

### Ibadan regional office

Premium House,  
1st Floor  
Opposite Hebn/Evans Publishers  
Magazine Road  
Jericho Ibadan

### Aba regional office

c/o CFAO (Nig.) PLC  
4 Factory Road  
Aba  
Abia State

### Asaba regional office

Km 5 Benin / Asaba Expressway  
Behind Oblinks Filling Station  
Asaba  
Delta State

### Abuja regional office

Plot 634, Durumi District Area 1  
By Gwagwalada Motor Park  
Abuja  
Federal Capital Territory

### Kano regional office

c/o CFAO (Nig.) PLC  
12 Muritala Mohammed Way  
Kano  
Kano State

### Jos regional office

No. 3, Old Airport Road  
Nasco Fibre Compound  
Opposite Rochas Foundation  
Jos  
Plateau State



**"...because my milk nourishes me, I can nourish nature"**

My milk is produced in an environmentally friendly way, so I am learning to nurture and nourish my environment by keeping it clean, making it beautiful and conserving it so that we can enjoy it in the future.





## notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of FrieslandCampina WAMCO Nigeria Plc will be held at the Shell Hall, MUSON Centre, Onikan, Lagos on Thursday, 18 May 2017 at 11.00am, to transact the following business:

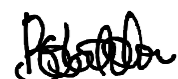
### Ordinary business

- (1) To receive the Report of the Directors and Audited Financial Statements for the year ended December 31, 2016 together with the reports of the Auditors and Audit Committee thereon.
- (2) To declare a final dividend.
- (3) To elect/re-elect directors.
- (4) To authorize the directors to fix the remuneration of the Auditors.
- (5) To elect members of the Audit Committee.

### Special business

- (6) To approve the remuneration of the Directors.

BY ORDER OF THE BOARD



**Bolade Obat-Olowu (Mrs.)**  
Company Secretary  
Lagos, Nigeria

Dated this 28th day of February 2017



**Bolade Obat-Olowu (Mrs.)**  
Company Secretary

## notice of annual general meeting

Notes

### 1. Proxy

A member of the Company, who is entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote in his/ her stead. A proxy need not be a member of the Company. A proxy form is enclosed in the Annual Report. To be valid, the instrument of proxy must be duly stamped by the Commissioner of Stamp Duties and deposited at the office of the Registrars, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu Lagos, not later than 48 hours before the time of the meeting.

### 2. Dividend warrants

If the dividend recommended by the Directors is approved, dividend warrants will become payable on Thursday, 18 May 2017 to members whose names appear in the Company's Register of Members at the close of business on Wednesday, 10 May 2017.

### 3. Closure of register

The Register of Members and Transfer Books of the Company will be closed from Thursday, 11 May 2017 to Monday, 15 May 2017, both dates inclusive, to enable the Registrars to prepare for the payment of dividend.

### 4. Audit committee

In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria 2004, any shareholder may nominate another shareholder for appointment to the Audit Committee by giving notice of such nomination, in writing, to the Company Secretary, at least 21 days before the Annual General Meeting.

### 5. Unclaimed dividend warrants and share certificates

Shareholders are informed that a number of share certificates and dividend warrants have been returned to the Registrars as "unclaimed". A list of unclaimed dividend will be circulated with the Annual Report and Financial Statements. Any member affected by this notice is advised to write to or call at the office of the Company's Registrars, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, during normal working hours.

### 6. E-dividend

Notice is hereby given to all shareholders to open bank accounts into which their dividend payments can be credited. Detachable application forms for e-dividend and e-products are attached to the Annual Report to enable all shareholders to furnish the particulars of their accounts to the Registrars.

## chairman's statement

Distinguished shareholders, my colleagues on the Board, invited guests, ladies and gentlemen. I have great pleasure in welcoming you to the 44th Annual General Meeting of our Company. I am equally delighted to present to you a brief review of the Operating Environment and the Annual Report and Financial Statements for the year ended 31 December 2016.

### The macroeconomic environment

According to the World Bank, the global economy recorded a growth of 2.3 percent in 2016, with a slow-down in Latin America, Sub-Saharan Africa and Russia. This growth rate was reported to be the slowest since the global recession of 2009, and was lower than expected due to limited growth in developed economies and persistent low commodity prices. Commodity-exporting emerging markets and developing economies continued to struggle to adapt to lower prices of oil and other key commodities.

The Nigerian economy slipped into recession in 2016 having recorded negative Gross Domestic Product (GDP) growths of -0.36 percent, -2.06 percent in the first and second quarters respectively. The contraction in the economy worsened than expected in the third quarter when the GDP declined by 2.06 percent due mainly to contraction in the oil sector, which is the country's largest source of revenue. Although there was sign of some reprieve as the fourth quarter closed with a GDP growth of -1.3 percent, overall it was a very tough year for the country as the economy contracted by 1.6 percent as against a 3 percent growth recorded in 2015. The economy witnessed weak purchasing power, high unemployment, weak investor confidence, weak fiscal position at all levels of government, drop in sales and private sector profitability, and declining capacity utilization.

The Central Bank of Nigeria (CBN), in response to dwindling foreign exchange earnings, floated the Naira in June. This resulted in a year on year devaluation of 54.96 percent (from ₦197.5:\$1 in 2015 to ₦304.5:\$1 ultimately in 2016). This was accompanied by liquidity challenges in the foreign exchange market, which manifested in acute scarcity of foreign exchange for

purchase of raw materials, and consequent decline in production. The economy also experienced high energy cost, escalating cost of transportation and high interest rate, all of which also impacted on productivity and competitiveness across all sectors of the economy. Inflation reached a peak of 18.55 percent in December, from 9.6 percent in January 2016. The Nigerian stock market was largely bearish during the year. However, the anti-corruption stance of the Federal government; the fight against terrorism in the North-eastern part of the country; and tax administration efficiency level showed some remarkable improvement and brought a ray of hope to the socio-political and economic environment.

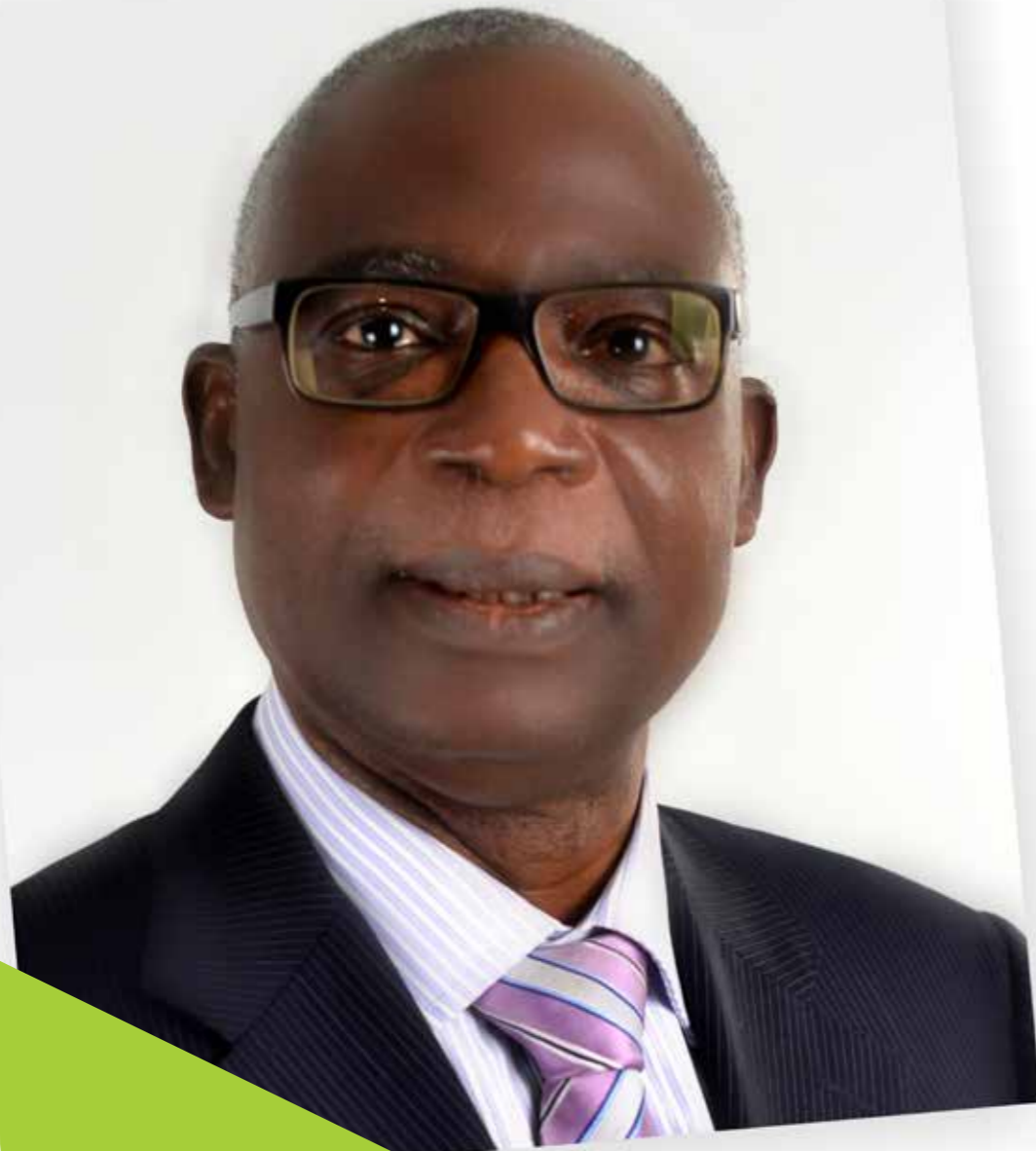
### The global dairy market

Milk prices were low for most of 2016 in the global dairy market as supply outweighed demand. Prices however started an upward climb in the third quarter of the year and maintained that climb till the end of the year. In 2017, global milk supply is expected to continue to decline worldwide, while demand is expected to increase with more activity from South East Asia, Russia and China. Global excess supply is expected to dry up from the first quarter of 2017, leading to further price increase.

### The Nigerian dairy market

The Fast Moving Consumer Goods (FMCG) sector declined by 6.8 percent as at September 2016. The dip was caused by the prevailing economic situation in the country, leading to price increases and downsizing. Consumer Price Index rose to a record high of 213.6 percent on all items compared with the situation in December 2015. This increase impacted consumer purchasing power negatively across all sectors including dairy, and most consumers resorted to down-trading via purchase of single serve packs or top-up packs. Price has now become a major determining factor in purchase decision making.

Cross-category usage of dairy increased in the year under review with the powdered milk category having a stable penetration in the dairy market while the evaporated milk category declined. In spite of all these



Mr. Jacobs Moyo Ajekigbe, OFR  
Chairman

## chairman's statement cont'd

challenges, our Company maintained its leadership position in the dairy sector.

### Operating results and performance

The Company's commercial and financial performance remained satisfactory in spite of the harsh business environment. Turnover increased by 2.5 percent from ₦120.72 billion in 2015 to ₦123.75 billion in 2016. Profit Before Tax (PBT) however increased by 7.3 percent from ₦18.60 billion to ₦19.96 billion as a result of the twin impact of the modest growth in turnover and significant reduction in administrative costs.

### Dividend

The Company's policy is to pay 75 percent of its Profit After Tax (PAT) as dividend to its shareholders. The dividend paid in any particular year however depends on the financial performance of the Company and the level of its cash and bank balances. The Board of Directors is proposing a total dividend pay-out of 75 percent of the Company's PAT for the year under review, which is equivalent to ₦10.65 per ₦0.50 share. An interim dividend of ₦2.95 per ₦0.50 share was paid in November 2016; and a final dividend of ₦7.70 per ₦0.50 share is therefore being proposed for your approval. If the proposed final dividend is accepted, the final dividend less withholding tax at the appropriate rate will become payable on 18 May 2017.

### Operations

Though 2016 was a challenging year due to the prevailing economic climate, which impacted on the cost of production and raw and packaging materials sourcing; the Company recorded remarkable achievements in operational efficiencies, cost management and improved productivity across the supply chain systems with new investments in human capital development and facility improvements.

In 2016, precisely on 13 December, the Company achieved a significant milestone of 4 years of consistent operation without lost time accident and injury. The Company made tremendous progress in its journey of continuous improvement in quality, using the FrieslandCampina FOQUS (a customised quality

assurance system), thus ensuring that the high quality of the Company's products is maintained throughout the value chain from grass to glass. This laudable pursuit of our Company was given credence in the course of the year with the achievement of Food Safety Systems Certification (FSSC) 22001.

The Company invested significantly in improving its facilities during the year. There were improvements in the Powdered and Evaporated milk factories, upgrades of the staff canteen and site clinic. In line with the Company's policy of constantly exploring ways of optimising operational efficiency, the Company commissioned a new ultra-modern and well equipped warehouse. This enabled the Company to consolidate warehousing operations from five different locations in Lagos into the single new warehouse for improved efficiency in warehousing, distribution and logistics.

During the year, significant progress was made in the implementation of our Company's World Class Operational Management (WCOM) process, which focuses on achieving optimal operational efficiency and reduction in material losses.

Human Capital Development received the attention it deserved in the Company's bid for continuous improvement as employees were given the opportunity to enhance their skills by undertaking professional trainings and certifications. Some of the employees were sent on short-term assignments in other FrieslandCampina operations in Europe to enable them acquire improved working knowledge and exposure.

### Sales and marketing

The Company held its position in the market during the year by raising the bar in distribution with extensive distribution network and coverage of sale outlets, whilst also reinforcing collaborative exchange with distributors to ensure continuous upgrade of their capability and skill set for business sustainability and stability. The Company also created indirect employment for almost 1400 people via its route to market expansion.

## chairman's statement cont'd

In order to remain healthy and successful, especially during the current recession, the Company made a deliberate choice to continue to invest in smarter marketing of its brands by increasing the quality of offline and online media.

Three Crowns continued to consolidate its low-cholesterol proposition via fitness programmes and partnerships with Health Care Practitioners. The brand also launched the second phase of the 'Don't you wish' campaign which celebrates the idea that Three Crowns provides mothers with healthy nourishment to make happy families.

Peak on the other hand championed a versatility campaign as a foundation for future success. Peak launched its limited edition pack 'Sweet Mother' for Mother's Day celebration. In the later part of the year, Peak took the leadership move of building versatility around milk with its ongoing campaign 'PECADOMO', an acronym for "Peak Can Do More" to encourage multiple and diversified usage of Peak milk (and other brands) for new consumer experiences. This campaign also emphasized the value, taste and nourishment connections associated with the brand.

We expanded our portfolio under Infant and Toddler category (IFT) with the launch of Peak 456 to provide specialized nutrition for kids of ages 4 to 6 years, and ensure proper nutritional foundation in the early years of a child. This product is gradually gaining increased recommendation among medical practitioners and patronage among our consumers as a strong nutritional support, which enhances the growth and cognitive performance of Nigerian children. An Independent Audit exercise, which was carried out by FrieslandCampina Global Regulatory and Nigerian Bureau Veritas in Quarter 4 of 2016 using FrieslandCampina standard and guidelines for marketing of infant foods revealed a high level of compliance with code of ethics.

Success of these initiatives led to the recognition of the brand as the most outstanding Dairy brand of the Decade by Marketing Edge, Nigeria's foremost PR Agency. Other awards include Family Brand of the Year in the Marketing World Awards; Most Iconic Brand of the Year by International Brands & HSBS Global; and No. 2 Most Chosen Brand in Nigeria by Kantar Millward Brown. Peak 456 was awarded Emerging Brand of the Year.

Three Crowns also proudly bagged a total of nine awards which include African Cristal award for Outdoor & Print in Nigeria and Regional Africa; Epica Awards for Outdoor & Print from the Netherlands; and Kantar MillwardBrown Brand Equity awards for Best Equity in Dairy Category in Nigeria. Three Crowns was also the only Nigerian brand to feature in Lurzer's International Archive Advertising worldwide, a bi-monthly magazine for the advertising industry which features advertising campaigns for print and television from around the world. Hearty Cheers to Peak and Three Crowns!!!

### Dairy development programme (DDP)

Our Company made significant progress in the development of the dairy sector in Nigeria in year 2016; and in the process provided a source of sustained income to almost 2000 farmers. One primary focus during the year was to improve on the quality of raw milk obtained from our local suppliers and this was achieved by putting in place an efficient quality improvement programme. The programme involved extensive training of the Fulani Milk Producers at the herd levels on how to hygienically handle and deliver quality raw milk to the milk collection centres, with emphasis on thorough follow-up on the implementation of quality procedures.

Another focus during the year was the development of small holder dairy farming businesses targeted at young graduates as owners of these businesses. We also continued with our goal of transforming some



## chairman's statement cont'd

of the traditional Fulani milk producers to adopt modern technologies in dairy farming. The process of actualizing this objective, which is being partly supported by the Dutch government commenced in June 2016 with experts from Wageningen University in the Netherlands and other international bodies/ organizations attending the kick -off meeting in Oyo state Nigeria.

The memorandum of understanding (MOU) with the Federal Ministry of Agriculture and Rural Development that was signed in 2011 for the development of sustainable dairy industry in Nigeria was renewed in 2016. To deepen dairy knowledge in Nigeria, your Company signed an expression of interest in the area of dairy development with Wageningen University, one of the world leading Universities in Agriculture, to work with some Nigerian Universities to create and implement dairy curriculum for colleges and universities in the country. Explorative work has started on this initiative, with discussions with professors of Wageningen University and the University of Ibadan.

### Corporate social responsibility (CSR)

During the period under review, our Company demonstrated its usual strong commitment to its mission statement by reaching out to various communities with relevant sustainable programmes.

In July, our Company partnered with St. Louise's School for Special Children, Ikot Ekpene, under its Employee CSR programme. The aim was to increase the students' capacity and enhance their opportunity in the labour market. The school, which is owned by The Daughters of Charity, a missionary organization affiliated to the Lillian Foundation of The Netherlands, is renowned for helping disabled students to acquire vocational skills to facilitate their integration into society, and to keep them employed and relevant in the society. Having engaged the school, the Company intervened in the following areas: donation of an industrial baking oven to increase production capacity, provision of a utility vehicle to facilitate logistics, nutrition support through product donation for the pupils, and safety awareness

to help improve their safety culture. A total of 250 students were reached through this intervention.

Our mission of nourishing Nigerians with quality dairy nutrition was once more demonstrated when we partnered the "Get Involved" Initiative of the First Lady, Mrs. Aisha Buhari, to further improve the nutrition of vulnerable children living in Internally Displaced Persons (IDPs) camps in northeast Nigeria. This partnership further highlights our Company's commitment to partnering with relevant national nutrition programmes while also lending its voice to calls on governments at all levels to prioritize matters concerning nutrition in their development agenda. The Company also partnered with the Nigerian Red Cross Society to support IDPs in Kuchingoro, Abuja. Mr. Roelof Joosten, CEO, Royal FrieslandCampina; the erstwhile Managing Director, Mr. Rahul Colaco; the Corporate Affairs Director, Mrs. Ore Famurewa; and the Chairman, Board of Directors visited the camp to interact with the IDPs and donate a variety of products.

The Company also supported its adopted charity homes with non-cash donations. Staff volunteers visited some of the homes with the aim of encouraging the less privileged children; and understanding first-hand, how the minders take care of the children. Our Company, in furtherance of this initiative, undertook a successful charity outreach programme to Chims Motherless Babies Home, Aba where a newly renovated orphanage was commissioned and a year-end party was organized for the children. We also provided for the Home, through employee donations, a 5KVA power generator, bunk beds, ceiling and standing fans, non-perishable food items, books, toys and clothes.

The Company also strengthened the Tertiary Endowment Programme through the inclusion of annual industrial visits to the factory and the DDP sites by participating students. The objective is to equip the students with practical knowledge of the industry and to provide them with hands-on experience. The students were also given guidance on their chosen course of study through interaction with career

## chairman's statement cont'd

managers and experts on dairy processing, food regulations and policies.

As a child friendly brand, our Company supported Tristate Heart Foundation with cash donation in November, 2016. Founded in 2015, the foundation assists patients suffering from various cardiovascular diseases in Nigeria, especially children who die daily as a result of their inability to access the required treatment. As at the time of the donation there were about 65 Nigerian children awaiting cardiovascular surgeries. We hope that our modest support will help the foundation in achieving its noble objectives.

### Human resources (HR)

In 2016, the Company drove a high performance culture through three strategic pillars of talent development, employee engagement and organizational agility. With a continuous focus on its key strategy of capability development, the Company's most valuable assets, its employees, were exposed to a variety of learning initiatives primarily to enhance their professional and leadership skills in the face of changing social-economic environment. The Company realized this core objective through a blend of classroom, online, and on the job training; short term, and long term assignments; and exchange programmes.

World Class Operational Management (WCOM) Reloaded, a tool designed by the Royal FrieslandCampina to ensure global world class standard and a culture of continuous improvement in building capacities was adopted by the Company. The utilization of the tool enabled a more improved control system in the factories, the establishment of a good performance dialogue and a "can do" attitude among employees.

### Board of directors

Mr. Gregory Sklikas resigned from the Board on 31 December 2016 while Mr. Roel van Neerbos joined the Board as Non- Executive Director on 1 January 2017. The Managing Director, Mr. Rahul Colaco resigned from the Board with effect from 13 March 2017 and Mr. Bernard Langat was appointed to replace him as Managing Director with effect from the same date.

Whilst I request that you join me in welcoming Mr. Roel van Neerbos and Mr. Bernard Langat to the Board, I wish to place on record our gratitude to Mr. Gregory Sklikas and Mr. Rahul Colaco for their invaluable contributions to the growth of our Company.

### Outlook 2017

The year 2017 started on a rather challenging note as we experienced an outbreak of fire in the condensed milk factory at the Company's premises in Ogba, Lagos on January 6. The fire, which was caused by electrical malfunction, was promptly put under control by the Lagos State Fire Service supported by the Company's Safety Team and corporate neighbours. There were no casualties as a result of the incident. Significant efforts were made by the staff, the Management Team and Corporate Head Office to minimize the adverse impact of the incident. Though, considerable work is ongoing in the factory to expand and improve the facility, I am pleased to inform you that production resumed twenty days after the incident, albeit at reduced capacity.

The country's real GDP growth is expected to rebound slightly, by about 0.8 percent, in 2017; although inflation is expected to increase marginally. Government is expected to adopt a number of measures such as increased capital expenditure and increased funding of the foreign exchange market to pull the economy out of recession, but the FMCG market will continue to come under pressure. Significant foreign exchange constraints, high inflation, milk price increase and low consumer purchasing power are likely to negatively impact your Company's sales and profitability in 2017. We will however continue to utilize our resources efficiently and manage our volumes and margins judiciously to ensure a long term sustainable position.

Thank you.



**J.M. Ajekigbe, OFR**



## board of directors



**Mr. Jacobs Moyo Ajekigbe, OFR**  
Chairman



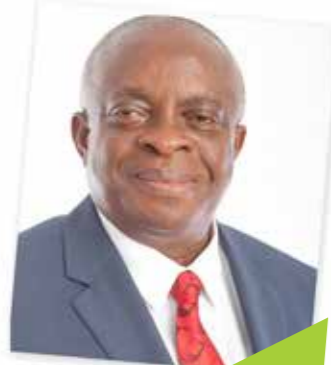
**Mr. Bernard Cheruiyot Langat**  
Managing Director  
Effective 13/03/2017



**Mr. Rahul Colaco**  
Non-Executive Director



**Roel van Neerbos**  
Non-Executive Director



**Rev. Isaac Adefemi Agoye**  
Non-Executive Director



**Mrs. Oyinkan Ade-Ajayi**  
Non-Executive Director



**Engr. Mustafa Bello**  
Independent Non-Executive Director



**Mr. Peter Eshikena**  
Non-Executive Director



**Mr. Gregory Sklikas**  
Non-Executive Director



**Mr. Robert Steetskamp**  
Non-Executive Director

## board of directors' profile

### MR. JACOBS MOYO AJEKIGBE, OFR CHAIRMAN

Mr. Jacobs Moyo Ajekigbe, OFR is the Chairman of the Board of Directors of FrieslandCampina WAMCO Nigeria Plc. He joined the Board of the Company as a Non-Executive Director on 25 November 2009, and was appointed Chairman of the Board on 29 April, 2010. He holds a Bachelor of Science degree in Agricultural Economics from the University of Ibadan; Certificate in Investment Planning and Appraisal from the University of Bradford, UK; an MBA degree from the University of Lagos; and an MA degree in Global Affairs from the University of Buckingham, UK. Mr. Ajekigbe, formerly Managing Director/ Chief Executive Officer of First Bank of Nigeria Plc, had an extensive experience in banking spanning 32 years. He has also served as a Director and Chairman on the boards of FBN (Merchant Bankers) Ltd and Kakawa Discount House Ltd. He was a Director on the boards of First Pensions Custodian Limited, FBN Bank (UK) Ltd, V-Networks Nigeria Ltd (now Airtel) and Transnational Corporation of Nigeria Plc. He currently serves on the boards of some not-for-profit organisations; and he is the Chairman of the boards of directors of Keystone Bank Ltd, Opticom Leasing Company Ltd, and a member of the board of Nycil Ltd. He is a Fellow of the Chartered Institute of Bankers, Fellow of the Institute of Directors, and a Senior Fellow of the Nigeria Leadership initiative.

### MR. BERNARD CHERUIYOT LANGAT MANAGING DIRECTOR EFFECTIVE 13/03/2017

Mr. Bernard Langat is the Managing Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board as Managing Director on 13 March 2017. Prior to this appointment, he held the position of Managing Director, Nigerian Bottling Company Limited, Coca Cola Hellenic Bottling Company. Mr. Langat has over 24 years work experience spanning various senior management roles in Unilever Kenya, Malawi and Ghana respectively. He also held the position of Finance Director of Nigerian Bottling Company from June 2009 to October 2012. Mr. Langat is an Accountant by profession with a degree in Commerce from the University of Nairobi, Kenya. He is an alumnus of Harvard Business School, Boston and has done several professional courses including the Excel Leadership program at IMD, Lausanne. Mr. Langat is a Certified Public Accountant of Kenya CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and former council member, Kenya Institute of Management (KIM).

### MR. RAHUL COLACO

#### IMMEDIATE PAST MANAGING DIRECTOR

Mr. Rahul Colaco is the immediate past Managing Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board as Managing Director on 1 January 2015 and resigned from the Board on 13 March 2017 to take on the role of Executive Director, Business Group China within the FrieslandCampina Group. Prior to his appointment as Managing Director of the Company, he held the position of Managing Director, Dutch Lady Milk Industries, Kuala Lumpur, Malaysia, an operating company within the FrieslandCampina Group, which he joined in 2010 as Marketing Director. Before joining FrieslandCampina, he had held a number of different positions in Unilever in India, Italy and the Netherlands. He also worked at KPMG, Mumbai, India, where he started his career as Audit Senior. Mr. Colaco holds a Bachelor of Commerce degree from Mumbai University, India; Chartered Accountancy professional qualification and an MBA degree from IMD, Lausanne Switzerland with distinction in leadership.

### MR. ROEL VAN NEERBOS

#### NON-EXECUTIVE DIRECTOR

Mr. Roel Van Neerbos is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board of the Company as a Non-Executive Director on 1 January, 2017.

Mr. Roel van Neerbos is the Chief Operating Officer of FrieslandCampina Consumer Products Europe, Middle East and Africa and a member of the Board of Royal FrieslandCampina N.V. Prior to this appointment he held the position of Chief Executive Officer of Maxeda Diy Retail Group. Before that he worked for Heinz as President Continental Europe and Global Ketchup. He worked with Mattel between 2001-2005 as Vice President Iberia EEMEA and Latin America. He was Marketing Director, Procter & Gamble 1992-1997, General Manager, Vice President Morocco & Baby care, Middle East/Africa 1999 - 2001. He served as Marketing Manager Pampers & Always, Ponica, Holland 1991-1992, Brand Manager Drefit & Pampers, Holland 1989-1990. Mr. Roel van Neerbos studied Business Administration and obtained a Masters Degree from Groningen University in The Netherlands.

### REV. ISAAC ADEFEMI AGOYE

#### NON-EXECUTIVE DIRECTOR

Rev. Isaac Ade Agoye is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board of the Company as Finance Director in 1996. He later served as the Corporate Affairs Director/Deputy Managing Director of the Company from 2005-2010. Rev. Agoye was appointed as a Non-Executive Director on 1 January 2011.

Rev. Agoye is a Fellow of the Institute of Chartered Accountants of Nigeria and has attended various management training institutions including IMD Lausanne Switzerland, Lagos Business School and International Graduate School of Management (IESE), Barcelona. He is also an associate member of the Institute of Directors, the current Vice President, Manufacturers Association of Nigeria (Lagos zone), Honorary National Treasurer, Manufacturers Association of Nigeria, a member of Lagos Research and Development Council, a member of the last Governing Board of the National Bureau of Statistics (NBS) and the General Overseer of The New Life Miracle Church.

### MRS. OYINKAN ADE-AJAYI

#### NON-EXECUTIVE DIRECTOR

Mrs. Oyinkan Ade-Ajayi is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. She joined the Board of the Company as a Non-Executive Director on 23 November 2006.

Mrs. Ade-Ajayi's work experience straddles the world of education, publishing and marketing. A graduate of Homerton College Cambridge and London Business School. She has extensive experience in Strategy and Global Marketing as well as Consumer Brands marketing, which she acquired whilst working with international organizations including Unwin Hyman Publishers, SmithKline Beecham in London and the Red Cross Children's Hospital in Cape Town, South Africa, amongst others.

### ENGR. MUSTAFA BELLO, FNSE

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

Engr. Mustafa Bello is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board of the Company as a Non-Executive Director on 1 March 2016.

Engr. Bello has extensive experience in both the public and private sector having served in various capacities in both sectors. He served as the Minister of Commerce of the Federal Republic of Nigeria from 1999- 2003, a member of the National Council for Revitalization of the Nigerian economy, 1999-2003, member of the Economic Management Team (EMT) of President Olusegun Obasanjo, 2003-2007, the Chief Executive Officer of the Nigeria Investments Promotion Commission (NIPC) from 2003-2014. He also served on the board of ESKOM, the Electricity Corporation of South Africa from 2004- 2008. He holds a Bachelor of Civil Engineering degree from Ahmadu Bello University, Zaria (1978). He is also a Fellow of the Nigerian Society of Engineers and registered member of the Council for the Regulation of Engineering in Nigeria. He was a Member of the Board of Directors of FrieslandCampina WAMCO Nigeria Plc. from November 2007 to April 2008.

### MR. PETER ESHIKENA

#### NON-EXECUTIVE DIRECTOR

Mr. Peter Eshikena is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He joined the services of the Company in 1985 as Shift Production Manager and rose through the ranks to become the Sales Manager in 2007. He was appointed to the Board of the Company as Sales Director/Deputy Managing Director on 1 January 2011 and was appointed as Managing Director on 1 September 2012 and later as a Non-Executive Director on 1 January 2015. Mr. Eshikena is the immediate past Managing Director of FrieslandCampina, Africa.

He holds a Higher National Diploma in Mechanical Engineering from Yaba College of Technology, MBA degree from University of Navarra, Spain and also attended Lagos Business School and High Performance Leadership training at IMD, Lausanne Switzerland, among several other developmental courses.

### MR. GREGORY SKLIKAS

#### NON-EXECUTIVE DIRECTOR

Mr. Gregory Sklikas was a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board of the Company as a Non-Executive Director on 5 March 2014 and resigned from the Board on 1 January 2017.

Mr. Sklikas is the immediate past Chief Operating Officer of FrieslandCampina Consumer Products Europe, Middle East and Africa and a former member of the Executive Board of Royal FrieslandCampina N.V. Mr. Sklikas joined FrieslandCampina in 2006 as Managing Director of FrieslandCampina Hellas in Greece and later held the position of Executive Director, Consumer Products Europe. Before joining FrieslandCampina, he had held a number of different positions in Unilever in Greece, Saudi Arabia and the United Arab Emirates. Mr. Sklikas studied Economics at the University of Athens and obtained a Masters degree in Computer Science in the United Kingdom.

### MR. ROBERT STEETSKAMP

#### NON-EXECUTIVE DIRECTOR

Mr. Robert Steetskamp is a Non-Executive Director of FrieslandCampina WAMCO Nigeria Plc. He was appointed as a Non-Executive Director of the Company on 1 September 2012.

He began his career working in various capacities within key multinationals as Procter & Gamble, Beecham and later Henkel in Europe.

He joined FrieslandCampina in 1994 as General Director. In 2000, he became the Director Strategic Business Development (Corporate, HQ) and in 2005, he became the Managing Director of FrieslandCampina, Russia/CIS and in 2009 became the Managing Director of FrieslandCampina WAMCO Nigeria Plc. Mr. Steetskamp is an astute leader who has continued to raise the bars and standards of FrieslandCampina in the various capacities he has worked in the last twenty-three years. He holds a degree in Economics from HES Amsterdam (Academy for Economics Studies).



## management team



**Bernard Cheruiyot Langat**  
Managing Director  
Effective 13/03/2017



**Ore Famurewa**  
Corporate Affairs Director



**Tarang Gupta**  
Marketing Director



**Doyin Ashiru**  
Operations Director



**Ilona Fulop**  
Finance Director



**Wale Arikawe**  
Sales Director



**Tomi Oni**  
Human Resources Director

## management team profile

### MR. BERNARD CHERUIYOT LANGAT MANAGING DIRECTOR EFFECTIVE 13/03/2017

Mr. Bernard Langat is the Managing Director of FrieslandCampina WAMCO Nigeria Plc. He joined the Board as Managing Director on 13 March 2017. Prior to this appointment, he held the position of Managing Director, Nigerian Bottling Company Limited, Coca Cola Hellenic Bottling Company. Mr. Langat has over 24 years work experience spanning various senior management roles in Unilever Kenya, Malawi and Ghana respectively. He also held the position of Finance Director of Nigerian Bottling Company from June 2009 to October 2012. Mr. Langat is an Accountant by profession with a degree in Commerce from the University of Nairobi, Kenya. He is an alumnus of Harvard Business School, Boston and has done several professional courses including the Excel Leadership program at IMD, Lausanne. Mr. Langat is a Certified Public Accountant of Kenya CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and former council member, Kenya Institute of Management (KIM).

### ORE FAMUREWA CORPORATE AFFAIRS DIRECTOR

Mrs. Ore Famurewa is the Director of Corporate Affairs for FrieslandCampina WAMCO Nigeria Plc. She became a member of the Management Team in January 2014. Ore began her career with FrieslandCampina WAMCO Nigeria during her National Youth Service in 1993, after which she was appointed the Public Relations Officer in June 1996. Ore has vast experience in government relations and communications with a proven track record and has risen through the ranks in various capacities with over 20 years of experience within the organisation. In furtherance of the company's nutrition course, Ore became the first Nutrition Manager and pioneered the Unit in 2005 with the establishment of a Nutrition Foundation, the Olu Akinkugbe Child Nutrition Center, now OAWNC. Ore holds a Bachelor of Arts Degree in History from the University of Lagos and MBAs in Marketing and Corporate Governance from Lagos State University and National Open University of Nigeria respectively. She is a member of key professional bodies including the Nigerian Institute of Public Relations, National Institute of Marketing of Nigeria and the Nutrition Society of Nigeria. Ore is a Women on Board (WimBoard) fellow of the Women in Management and Business Public Service (WimBiz). She has attended several leadership courses in Nigeria and abroad at the Lagos Business School, IMD, Switzerland and Women on Board program at IE Business School, Madrid. Ore is an amiable go-getter, an effective team coordinator, a respectable woman of integrity and has pioneered several key projects in her career. She is listed in the Women World Compendium of 2002 as a prominent Nigerian woman and has won awards including a Top Woman in Marketing and Communications.

### ILONA FULOP FINANCE DIRECTOR

Mrs Ilona Fülöp is the Director of Finance for FrieslandCampina WAMCO Nigeria Plc. She joined FrieslandCampina WAMCO as a member of the Management Team in August 2013. Ilona was conferred with a Bachelor's Degree in Finance and Accountancy from Budapest Business School in 1993. She has 24 years of experience in the field of finance and close to 20 years at Unilever, having worked at various locations including Hungary, Poland, The Netherlands and United Kingdom. She held the position of Finance Director Projects at Royal FrieslandCampina, Corporate Centre, Amerfoort (NL) prior to becoming Finance Director of FrieslandCampina WAMCO. Ilona is dedicated, conscientious, result-oriented, and resolute. She is eloquent in Hungarian, English, Dutch and Russian.

### TARANG GUPTA MARKETING DIRECTOR

Mr. Tarang Gupta is the Marketing Director for FrieslandCampina WAMCO Nigeria Plc. He joined FrieslandCampina WAMCO as a member of the Management Team in July 2014. He holds a Bachelor Degree in Hotel Management and an MBA in Marketing from Bangalore, India. Prior to this appointment, Tarang served as the International Marketing Director for the Infant and Toddler Nutrition Category, leading unique brands of the company such as Friso, Dutch Lady, Frisian Flag, Peak, Noy Noy (Greece). His work history includes successful experience managing all major branding, marketing and sales initiatives for Unilever & Perfetti Van Melle. He is a smart and experienced commercial business leader with exceptional skill set in Marketing & Sales, who has been instrumental in driving the commercial activities for FrieslandCampina WAMCO for past few years. Tarang exhibits an outstanding work ethic, commitment to team achievements and comprehensive knowledge of strategy development, brand building and development, channel/retail management and communication development.

### DOYIN ASHIRU OPERATIONS DIRECTOR

Mr. Doyin Ashiru is the Operations Director for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO as a member of the Management Team in February 2015. Mr. Ashiru is a registered Mechanical Engineer, with an Honours Degree from the University of Benin, Nigeria and a Masters in Business Administration (MBA) from University of Lagos. He is a corporate member of the Nigerian society of Engineers, and a COREN Registered Mechanical Engineer. He previously worked with Unilever Nigeria PLC as the Manufacturing Director, after three-and-a-half years as Head of Quality & Sustainability for Coca-Cola HBC (Nigerian Bottling Company), he returned to Unilever as the Manufacturing Director, covering all the multi categories factories. He has also served as Regional Supply Chain Excellence Manager for Unilever in Africa, Asia & Middle East, based in Durban, South Africa. Doyin has worked with numerous global multinationals in various capacities including Senior Management Executive, UAC Nigeria, Plant Manager, General Motors, Company Safety Health and Environment Manager and Engineering Manager, Unilever, before his transfer to Durban, South Africa, for the Regional role.

### WALE ARIKAWA SALES DIRECTOR

Mr. Adewale Arikawe is the Sales Director for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO as a member of the Management Team in August 2014. He holds a Bachelor's Degree in Political Science, and Master of Public Administration (MPA), from Ogun State University. He has attended business school courses at IMD Lusanne, Switzerland and Lagos Business School. He is accredited by Advertising Practitioners Council of Nigeria (APCON) and Institute of Chartered Accountants (ICA). He has accumulated over 22 years' experience in the Commercial part of the business starting from Multichoice Nigeria where he began his career in Sales, and in 18 years' of working in various capacities at Nestle Nig. PLC where he pioneered both Regional Sales Operations South-South and Branch Office South and East of Nigeria. He was later transferred to Lagos to set up the National Institution and Alternative Business Operations before moving into Marketing as Category Business Manager for Dairy in Nestle Nigeria. As part of Generating Demand team in Nestle, he started the Specialty and Import business to trigger new consumption opportunities in the country and later headed the Modern Trade Team before joining FrieslandCampina. Adewale is a leader that works with passion, influences his team to drive the link between engagement and performance, is result oriented and constantly strives for continuous improvement. He currently oversees the Sales, Shopper Marketing and Business Excellence departments of the company.

### TOMI ONI HUMAN RESOURCES DIRECTOR

Mr. Tominiyi Oni is the Human Resources Director for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO as a member of the Management Team in September 2013. He holds a Bachelor Degree in Psychology and an MSc in Industrial Psychology from University of Lagos, Nigeria. He has attended business school courses at IMD, Wharton, Manchester and Lagos Business School and he is certified by the British Psychological Society in Occupational Testing. Prior to this appointment, Tominiyi was the HR Adviser to the Director General, Securities & Exchange Commission (SEC) from 2010 to 2013, and worked with the oil & gas giant Shell in Nigeria, UK, Netherlands and Norway in the human resources function. Tominiyi has also held various managerial positions in blue chip organisations in Nigeria such as Guinness Nigeria Plc, as Organisation Development Manager, PricewaterhouseCoopers as Manager HR consulting, British Council as Country Human Resources Manager and Air Liquide as Personnel/Administration Manager etc. Tominiyi is a member of The British Psychological Society (UK), The Chartered Institute of Personnel Management of Nigeria (CIPM), and Human Capital Institute (USA). He is a governing Board member of Chief Learning Organisation (USA), Institute of Mentoring and founder of the Port Harcourt HR roundtable.



## directors and other corporate information

<b>Board of Directors:</b>	Mr. Jacobs Moyo Ajekigbe, OFR	Chairman
	Mr. Bernard Cheruiyot Langat (Kenyan)	Managing Director (Appointed with effect from 13 March 2017)
	Mr. Rahul Colaco (Indian)	Managing Director (Resigned with effect from 13 March 2017)
	Mrs. Oyinkan Ade-Ajayi	
	Rev. Isaac Adefemi Agoye	
	Engr. Mustafa Bello	
Mr. Peter Eshikena		
Mr. Roel van Neerbos (Dutch)	Appointed with effect from 1 January 2017	
Mr. Gregory Sklikas (Greek)	Resigned with effect from 1 January 2017	
Mr. Robert Steetskamp (Dutch)		

**Company Secretary/  
Legal Adviser** Mrs. Bolade Obat-Olowu

**Registered Office:** Plot 7b Acme Road  
Ogba Industrial Estate  
Ikeja,  
Lagos State

**Registrars:** First Registrars & Investor Services Limited  
Plot 2 Abebe Village Road,  
Iganmu, Lagos

**Independent Auditors:** PriceWaterhouseCoopers  
Landmark Towers  
Plot 5B Water Corporation Road  
Victoria Island, Lagos

**Principal Bankers** Access Bank PLC  
Citibank Nigeria Limited  
Diamond Bank PLC  
First Bank of Nigeria PLC  
First City Monument Bank PLC  
Guaranty Trust Bank PLC  
Stanbic IBTC Bank PLC  
United Bank of Africa PLC  
Zenith Bank PLC

## report of the directors

for the year ended 31 December 2016

The directors have pleasure in presenting to members their report and the audited financial statements for the year ended 31 December 2016 with the independent audit opinion.

### 1 Legal form and principal activities

FrieslandCampina WAMCO Nigeria PLC was incorporated on 17 April 1973. The Company is principally engaged in the production, manufacturing and marketing of milk and dairy products. There was no change in the activities of the Company during the year.

### 2 State of affairs/subsequent events

In the opinion of the Directors, the state of the Company's affairs was satisfactory and no event has occurred since the balance sheet date, which would affect the financial statements as presented.

### 3 Result for the year

The summary of the operating results is as follows:

<i>in thousands of naira</i>	2016	2015
Revenue	123,749,286	120,716,682
Profit before taxation	19,963,190	18,615,978
Taxation	(6,100,973)	(5,269,175)
Profit for the year	13,862,217	13,346,803
Other comprehensive income	-	32,421
Total comprehensive income for the year	13,862,217	13,379,224

### 4 Dividend

The Company paid an interim dividend of ₦2.95 per share in November 2016 and the Board of Directors has recommended a final dividend of ₦7.70 per share subject to the deduction of appropriate withholding tax at the time of payment.

As a policy, the Company endeavors to pay out 75% of its profit after tax (PAT) as dividend to its shareholders. The final dividend payout depends on the financial performance of the Company and the state of its cash and cash equivalents. If the proposed final dividend is accepted, the total dividend in respect of year 2016 operations will be ₦10.65 per share, amounting to 75% of the Company's PAT.

### 5 Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 12 to the financial statements.

### 6 Directors

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

Mr. Jacobs Moyo Ajekigbe, OFR	Chairman
Mr. Rahul Colaco (Indian)	Managing Director (Resigned with effect from 13 March 2017)
Mrs. Oyinkan Ade-Ajayi	Non- Executive Director
Rev. Isaac Adefemi Agoye	Non- Executive Director
Engr. Mustafa Bello	Independent Non-Executive Director (Appointed with effect from 1 March 2016)
Mr. Peter Eshikena	Non- Executive Director
Mr. Roel van Neerbos (Dutch)	Non- Executive Director (Appointed with effect from 1 January 2017)
Mr. Rasheed Olaoluwa	Non- Executive Director (Resigned with effect from 1 March 2016)
Mr. Gregory Sklikas (Greek)	Non- Executive Director (Resigned with effect from 1 January 2017)
Mr. Robert Steetskamp (Dutch)	Non- Executive Director

## report of the directors cont'd

for the year ended 31 December 2016

Mr. Peter Eshikena and Rev. Isaac Agoye retire by rotation in accordance with Article 85 of the Company's Articles of Association and being eligible, offer themselves for re-election.

Mr Rasheed Olaoluwa resigned from the Board effective from 1 March 2016 while Mr. Gregory Sklikas resigned from the Board effective from 1 January 2017. We thank them for their immense contributions to the growth of the Company.

Mr. Roel van Neerbos, who was appointed a Director after the last Annual General Meeting, will retire at the forthcoming Annual General Meeting in accordance with Article 91 of the Company's Articles of Association and being eligible, offers himself for re-election.

Mr. Rahul Colaco, having being appointed as Executive Director, Business Group, China, indicated his intention to resign as the Managing Director of the Company with effect from 13 March 2017. Mr. Bernard Cheruiyot Langat was appointed to replace him as Managing Director with effect from 13 March 2017.

Mr. Bernard Cheruiyot Langat having been appointed to the Board after the last Annual General Meeting will retire at the forthcoming Annual General Meeting in accordance with Article 91 of the Company's Articles of Association, and being eligible, offers himself for re-election.

### 7 Directors interest in contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, of any disclosable interest in contracts with which the Company was involved as at 31 December 2016.

### 8 Interest of directors

The interest of Directors in the issued share capital of the Company as recorded in the Register of Members is as follows:

	Number of ordinary shares held as at 31 December	
	2016 ₦0.50 nominal value	2015 ₦0.50 nominal value
Mr. Jacobs Moyo Ajekigbe, OFR	1,250,000	1,250,000
Rev. Isaac Adefemi Agoye	1,335,418	1,335,418
Mrs. Oyinkan Ade-Ajayi	1,136,794	1,136,794
Mr. Peter Eshikena	136,306	106,306
Mr. Rahul Colaco	Nil	Nil
Engr. Mustafa Bello	Nil	Nil
Mr. Rasheed Olaoluwa	Nil	Nil
Mr. Gregory Sklikas	Nil	Nil
Mr. Robert Steetskamp	Nil	Nil

### 9 Corporate governance

#### a. Commitment

The Corporate Governance principles of the Company provides for best practices to be followed by the Company in every area of its activities and the Board takes responsibility for ensuring that the Company maintains the highest standards. The Board of Directors is dedicated to ensuring that the Company's objectives are achieved. The Company recognizes the importance of high standard corporate governance and is committed to same by institutionalizing corporate governance principles as part of its corporate structure.

#### b. Board composition

As at 1 March 2017, the Board comprised of eight (8) Directors. The guiding principles of the Company's Corporate Governance are as follows:

- That delegation of authority by the owners to the Board and subsequently to Committees and Management are clearly defined and agreed.
- That there is effective communication and information sharing outside of meetings.
- That actions are taken on fully informed basis, in good faith with due diligence and care and in the best interest of the Company and all stakeholders.

## report of the directors cont'd

for the year ended 31 December 2016

- That compliance with applicable laws and regulations and the interest of stakeholders be enhanced. Where there is any conflict between the Company's rules and legislation, legislation supersedes.
- That there is conformity with the Company's overall strategy and direction.

#### c. Role of the board

The functions or the role of the Board of Directors of the Company are guided by the provisions of the Companies and Allied Matters Act, the Company's Articles of Association and other applicable laws and regulations.

#### d. Frequency and attendance of board meetings

Meetings of the Board are held on regular basis. However, meetings may be convened at any time, whenever the need arises. The Board met four times in the course of the year under review.

A summary of the record attendance at the meetings is presented below:

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Jacobs Moyo Ajekigbe, OFR	4
Mr. Rahul Colaco	4
Mrs. Oyinkan Ade-Ajayi	4
Rev. Isaac Adefemi Agoye	4
Engr. Mustafa Bello*	3
Mr. Peter Eshikena	4
Mr. Rasheed Olaoluwa**	1
Mr. Gregory Sklikas	3
Mr. Robert Steetskamp	4

\* Appointed on 1 March 2016

\*\* Resigned on 1 March 2016

Board Meetings were held on 1 March 2016, 12 May 2016, 30 August 2016 and 1 December 2016

#### e. Orientation and training of directors

The Company has an induction programme for new directors to keep them in tune with their fiduciary duties and responsibilities and also to familiarize them with the Company's business.

The Directors also participate in periodic, relevant professional training programmes to keep them abreast of new developments that would assist them in the discharge of their duties to the Company.

#### f. Audit committee

The Audit Committee met four times during the year under review for meetings and also visited the sites of the Company's Dairy Development Programme. The meetings were held on 29 February 2016, 2 March 2016, 23 September 2016 and 30 November 2016.

#### i. Membership

Rev. Isaac A. Agoye	(Non-Executive Director)	Chairman
Mr. Samuel S. Adebayo	(Shareholder)	Member
Chief Okwudili G. Emodi	(Shareholder)	Member
Sir. Sunday N. Nwosu	(Shareholder)	Member
Mr. Peter Eshikena	(Non-Executive Director)	Member
Mr. Robert J. Steetskamp	(Non-Executive Director)	Member



## report of the directors cont'd

for the year ended 31 December 2016

A summary of the record of attendance at the meetings is presented below:

NAME	NUMBER OF MEETINGS ATTENDED
Rev. Isaac A. Agoye	4
Mr. Samuel S. Adebayo	4
Chief Okwudili G. Emodi	4
Sir. Sunday N. Nwosu	4
Mr. Peter Eshikena	3
Mr. Robert J. Steetskamp	2

### ii. Responsibilities

The Committee is established in compliance with section 359(6) of the Companies and Allied Matters.

The Committee oversees the accounting and reporting policies of the Company to ensure they are in accordance with legal requirements and agreed ethical practices; evaluates the qualifications and independence of the Company's external auditors and performance of the Company's internal audit function as well as that of the external auditors; oversees management's process for the identification of significant fraud risks across the Company and ensures that adequate prevention, detection and reporting mechanisms are in place.

### g. Management team

The Board has a Management Team that is charged with the responsibility of implementing policies and the day-to-day management of the affairs of the Company. Only the Managing Director is a member of the Board. The other Management team members are not Board members.

The members of the Management Team as at the date of this report are:

1) Mr. Rahul Colaco	Managing Director (Resigned with effect from 13 March 2017)
2) Mr. Adewale Arikawe	Sales Director
3) Mr. Doyin Ashiru	Operations Director
4) Mrs. Ore Famurewa	Corporate Affairs Director
5) Mrs. Ilona Fulop	Finance Director
6) Mr. Tarang Gupta	Marketing Director
7) Mr. Tominiyi Oni	Human Resources Director

The Management Team has, as part of its terms of reference, the duty of ensuring constant monitoring of operations, implementation of Board decisions and recommendations to the Board on all issues and areas of operations.

### g. Shareholders' participation

The Company is conscious of and promotes shareholders' rights. It continues to take necessary steps in ensuring same. The Board and the management do significantly benefit from the contributions and advice of the shareholder members of the Audit Committee and the contributions of shareholders during the Company's organized shareholders' visits to its factory and at Annual General Meetings.

### h. Code of Business Conduct and Ethics

The Company has a Code of Conduct, known as Compass, which sets out the values and principles that should guide all employees in the way and manner they conduct themselves in business relations. Our Compass is our collective and individual commitment to ethical business practices in line with laws, regulations and international best standards. The Company ensures a constant awareness of these values and principles by continuous training, adequate publication of the contents of the Code to its employees, directors and business partners.

The Company also has a whistle-blowing procedure, known as Speak-Up procedure, to deal with any contravention of our Compass. Issues reported through this medium are investigated and remediated and the identity of the whistle blower is kept confidential.

## report of the directors cont'd

for the year ended 31 December 2016

Our Compass governs our conduct in all facets of the Company's operations and it includes policies on safety, rights of employees, sustainability, conflicts of interest, business relations, doing honest business, public activities, fair competition, fair communication, use of company resources, protection of confidential information, data protection, prevention of fraud and integrity in financial reporting.

### i. Share trading policy

The Company maintains a share trading policy that guides Directors, Audit Committee members and employees as to their dealing in the Company's shares. Relevant persons are prohibited from dealing in the Company's shares both when they are in possession of material non-public information about the Company's activities as well as during prescribed "black-out" periods.

## 10 Employees and workplace development initiatives

The Company believes that its employees are its most valuable asset. The Company fosters an open communication with all its employees and encourages them to develop themselves both professionally and personally.

The Company respects and supports local and internationally recognized human rights laws and regulations for all stakeholders. Our employees do not discriminate or harass others based on race, gender, age, religion, national, ethnic or social origin in line with the principles of "responsible entrepreneurship" based on the OECD Guidelines for multinational enterprises, the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations Universal Declaration of Human Rights.

The Company does not tolerate child labour and/or forced labour and contributes to their elimination wherever it can. It also expects its business partners to do likewise.

It is the policy of the Company to consider physically challenged persons for employment if academically qualified and medically fit. The Company had one physically challenged person in its employment as at 31 December 2016.

## 11 Sustainability

The Company is committed to running its business in an environmentally sound and sustainable manner. The Company is committed to operating its business in a climate-neutral way by minimizing the impact of its processes and products on the environment and at the same time maximizing its efforts to promote good health and nutrition and also support farmers. In so doing the Company contributes to sustainable development whilst protecting future generations.

The Company has zero tolerance for corruption as it is inimical to our values as set out in our Compass.

The Company places a huge priority on the wellbeing of its employees and does not discriminate against any employee on the basis of health.

## 12 Safety, health and environment

The Company is committed to safety, health and environment as core values of conducting business. Safety, health and environment regulations are in force within the Company's premises and employees are aware of existing regulations. Protective clothing and firefighting equipment are provided in the production areas, warehouses and offices. The Company provides healthcare benefits to employees and operates an on-site clinic in the factory premises. The on-site clinic is managed by a reputable hospital providing primary health care round the clock for employees at work. The Company complies with relevant statutory provisions and regulations on health, safety and welfare matters as well as providing the education required to enable compliance by employees. A week - long safety programme is organized every year, to get employees involved with matters of safety.

## 13 Consultation and training

The Company is committed to keeping employees fully informed as far as possible regarding the Company's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees. Management, professional and technical expertise are the Company's major assets, and investment in developing such skills is given adequate attention.

## report of the directors cont'd

for the year ended 31 December 2016

### 14 Analysis of shareholdings

Range	Number of shareholders	Holders %	Number of shares held	Holdings %
1 - 10,000	1,813	65.74	5,088,724	0.52
10,001 - 20,000	268	9.72	3,949,871	0.40
20,001 - 50,000	262	9.50	8,719,107	0.89
50,001 - 100,000	138	5.00	10,057,076	1.03
100,001 - 500,000	180	6.53	40,980,108	4.20
500,001 - 1,000,000	30	1.09	22,883,430	2.34
1,000,001 - 5,000,000	58	2.10	115,399,036	11.82
Above 5,000,000	9	0.33	769,258,584	78.79
	<u>2,758</u>	<u>100</u>	<u>976,335,936</u>	<u>100</u>
Nigerian public	2,757	99.96	314,258,004	32.19
FrieslandCampina Nigeria Holding B.V	1	0.04	662,077,932	67.81
	<u>2,758</u>	<u>100</u>	<u>976,335,936</u>	<u>100</u>

### 15 Suppliers

- The Company's significant overseas suppliers are:
  - FrieslandCampina Export B.V, The Netherlands
  - FrieslandCampina Dairy Sourcing & Trading, The Netherlands
  - FrieslandCampina Supply point, The Netherlands
  - Syral, France
  - FrieslandCampina Kievit B.V, The Netherlands
  - ROQUETTE FRERES, France
- The Company's significant local suppliers are:
  - Arvee Industries Limited
  - Avons Crowns Cap Nigeria Plc
  - Bollore Africa Logistics Nigeria Limited
  - GMT Nigeria Limited
  - Maple Plastic Industries Nigeria Limited
  - Media Fuse Limited
  - Nampak Plc
  - OLAM Nigeria Limited
  - Presco Nigeria Limited
  - Primepak Industries Nigeria Ltd
  - Rigid Pak Container Limited
  - Stallion Plastics Industries Limited
  - Veepee Paper Products Limited

### 16 Know-how and licence agreements

The Company has a Know-How Licence and Trade mark Licence Agreement; a Research and Development Know-How Licence Agreement and a Dairy Development Agreement with FrieslandCampina Nederland B.V., in The Netherlands.

Under the agreements, technological, scientific and professional assistance are provided for the manufacture, quality control and packaging of the Company's products, new products development and training of personnel.

## report of the directors cont'd

for the year ended 31 December 2016

The Royalty charges as stipulated in the respective agreements are as follows:

- Know-How Licence and Trade mark Licence Agreement -1% of the turnover of the products produced and sold by FrieslandCampina WAMCO Nigeria Plc and 2% of the Company's annual profit before tax.
- Research and Development Know-How Licence Agreement-1% of the turnover of the products produced and sold by FrieslandCampina WAMCO Nigeria PLC.
- Dairy Development Agreement - 0.75% of the turnover of the products produced and sold by FrieslandCampina WAMCO Nigeria PLC.

The agreements are approved by the National Office for Technology Acquisition & Promotion (NOTAP).

### 17 Donations

In 2016, the Company made donations amounting to ₦37,196,328 (2015: ₦302,397,128) as follows:

Donations to Charity	Amount in Naira
Adonai Orphanage Home & Widow Centre, Kaduna State	213,400
Bert Torey Home for Mentally Handicapped Children, Zaria, Kaduna State	213,400
Besthsida Orphanage, Ikachi, Benue State	213,400
Child Care Trust Abuja	213,400
Chims Motherless Babies Home, Aba, Abia State	271,900
Compassionate Orphanage, Igando, Lagos State	213,400
Dominican Sisters' College Abatete, Anambra State	213,400
Franciscan Sisters of Immaculate, Lekki, Lagos State	213,400
Heart of Gold Orphanage, Surulere, Lagos State	213,400
Jesus Children Mission Outreach, Ibadan, Oyo State	213,400
Little Saints Orphanage, Ikorodu, Lagos State	271,900
Little Sisters of the Poor, Enugu State	208,928
Madonna School for the Handicapped, Okpanam, Delta State	213,400
Marble House of Sarah Charity Home, Ibusa, Delta State	213,400
Marian Monastery, Enugu State	213,400
Mother's Welfare Group, Asokoro, Abuja	213,400
Motherless Babies Home, Uzuakoli, Abia State	271,900
Old Peoples Home, Yaba, Lagos State	213,400
Oluyole Cheshire Home, Ibadan, Oyo State	213,400
Our Lady of Lourdes Maternity & Clinic, Ipetunmodu, Osun State	213,400
Our Lady's Hospital & Orphanage, Zawan, Plateau State	213,400
Ovie Brume Foundation, Victoria Island, Lagos State	213,400
Red Cross Yaba, Lagos State	213,400
Samaritan Project, Ebute-Metta, Lagos State	213,400
SDA Motherless Home, Aba, Abia State	271,900
SOS Children's Village, Isolo, Lagos State	213,400
St. Monica's Orphanage, Lagos State	271,900
Ufon Abasi Orphanage, Akwa- Ibom State	271,900
Winnie's Castle of Love Orphanage Home, Ibadan, Oyo State	213,400
Donation to Tristate Heart Foundation	1,000,000
Partnership with St. Louise School for Special Children	972,800
Orphanage Fix-up - Chims Motherless Babies Home, Aba, Abia State	1,000,000
	<u>9,507,928</u>
<b>Water Project</b>	
Construction of 1 Solar Powerd Borewell in Okpepe, Edo sate	4,509,700
Construction of 1 Motorized Borewell in Akoko, Ondo State	4,778,200
	<u>9,287,900</u>



## report of the directors cont'd

for the year ended 31 December 2016

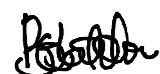
Charity donations	Amount in Naira
<b>Education</b>	
School milk outreach	756,000
<b>Tertiary Endowment</b>	
University of Ibadan - Food Science & Technology Department	1,100,000
University of Maiduguri - Food Science & Technology Department	1,100,000
University of Nigeria Nsukka - Food Science & Technology Department	1,100,000
University of Uyo- Food Science & Technology Department	1,100,000
Federal University of Tech. Minna- Dept of Animal Production	1,100,000
Federal University of Tech. Yola - Dept of Food Science and Technology	1,100,000
	6,600,000
NOTAP Industry Technology Transfer Fellowship	1,000,000
<b>Nutrition advocacy in IDP camp</b>	
Partnership support to IDP	9,450,000
Nutrition support in Kuchingoro IDP camp in Abuja	594,500
	10,044,500
<b>Total</b>	<b>37,196,328</b>

In accordance with Section 38(2) of the Companies and Allied Matters Act, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year.

### 18 Auditors

Messrs. PricewaterhouseCoopers was appointed at the last Annual General Meeting as the Company's Independent Auditors commencing with the 2016 financial year. In accordance with Section 38(2) of the Companies and Allied Matters Act, Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office as Auditors of the Company.

BY ORDER OF THE BOARD



**Bolade Obat-Olowu (Mrs.)**  
Company Secretary  
FRC/2013/NBA/00000002242

Lagos, Nigeria

28 February 2017

## statement of directors' responsibilities

for the year ended 31 December 2016

The Companies and Allied Matters Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include:

- ensuring that the Company 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;
- designing, implementing and maintaining 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
- preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

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

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

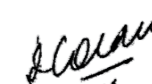
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



**Jacobs Moyo Ajekigbe, OFR**  
FRC/2013/IODN/000000002472

28 February 2017



**Rahul Colaco**  
FRC/2015/MANUN/00000011260

28 February 2017



**"...because  
my milk  
supports  
learning  
and brain  
development"**

Children need the right nutrition to give them that physical and mental boost they require. Drinking Peak 456 does that for them. The goodness of milk gives them the mental support required to be at their best all day long.





# 2016

## reports & financial statements

34	Report of the audit committee
35	Independent auditor's report
39	Statement of financial position
40	Statement of profit or loss and other comprehensive income
41	Statement of changes in equity
42	Statement of cash flows
43	Notes to the financial statements

<b>other national disclosures</b>	
79	Value added statement
80	Financial summary

## report of the audit committee

to the members of FrieslandCampina WAMCO Nigeria PLC

In accordance with Section 359 (4) and (6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, we confirm that we have examined the Auditors' Report for the accounting year ended December 31, 2016 and hereby declare as follows:

1. The Scope and Planning of the audit were adequate in our opinion.
2. The Accounting and Reporting policies of the Company conformed to legal requirements and agreed ethical practices.
3. The Internal Control was being constantly and effectively monitored through a robust internal control framework.
4. The External Auditors' management letter received satisfactory response from Management.
5. The External Auditors confirmed receiving full co-operation from the Company's management and that the scope of their work was not restricted in any way.

The members of the Committee visited the sites of the Dairy Development Programme (DDP) to ascertain the Company's efforts in backward integration. We are satisfied with the efforts being made.

We acknowledge the co-operation of Management in the conduct of our responsibilities.



**Rev. Isaac Agoye**  
Chairman, Audit Committee  
FRC/2015/ICAN/00000013104

LAGOS, NIGERIA

Dated: 27 February 2017

### MEMBERS OF THE COMMITTEE

Rev. Isaac Agoye - Chairman  
Mr. Samuel Adebayo  
Chief Godwin Emodi  
Mr. Peter Eshikena  
Sir Sunday N. Nwosu, KSS, GCOA, MIoD  
Mr. Robert Steetskamp



Isaac Adefemi  
Agoye



Godwin Emodi



Sunday Nwosu



Adebayo Samuel



Peter Eshikena



Robert Steetskamp

## independent auditor's report

to the members of FrieslandCampina WAMCO Nigeria PLC



Report on the audit of the financial statements

### Our opinion

In our opinion, FrieslandCampina WAMCO Nigeria Plc's financial statements give a true and fair view of the financial position of the company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

### What we have audited

FrieslandCampina WAMCO Nigeria Plc's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

### Independence

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

### Other information

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



## independent auditor's report

to the members of FrieslandCampina WAMCO Nigeria PLC



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

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

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or 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 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.

## independent auditor's report

to the members of FrieslandCampina WAMCO Nigeria PLC



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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## independent auditor's report

to the members of FrieslandCampina WAMCO Nigeria PLC



### Report on other legal and regulatory requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position and comprehensive income are in agreement with the books of account.

For: PricewaterhouseCoopers  
Chartered Accountants  
Lagos, Nigeria

Engagement Partner: Edafe Erhie  
FRC/2013/ICAN/0000001143



24 March 2017

## statement of financial position

as at 31 December 2016  
In thousands of naira

	Note	2016	2015
<b>Assets</b>			
Property, plant and equipment	12	17,918,644	18,078,368
Intangible assets	13	9,247	44,293
Prepayments	14	20,519	63,920
<b>Total non-current assets</b>		<b>17,948,410</b>	<b>18,186,581</b>
<b>Current assets</b>			
Inventories	16	12,700,685	20,301,876
Trade and other receivables	17	10,212,996	8,620,941
Prepayments	14	4,981,276	3,719,153
Derivative assets	18a	314,615	-
Cash and cash equivalents	18b	26,699,287	16,134,998
<b>Total current assets</b>		<b>54,908,859</b>	<b>48,776,968</b>
<b>Total assets</b>		<b>72,857,269</b>	<b>66,963,549</b>
<b>Equity</b>			
Share capital	19(a)	488,168	488,168
Share premium	19(a)	350,211	350,211
Retained earnings		15,449,491	14,006,270
<b>Total equity attributable to owners of the company</b>		<b>16,287,870</b>	<b>14,844,649</b>
<b>Liabilities</b>			
Employee benefits	20	524,128	3,011,058
Deferred tax liabilities	15	1,314,064	1,790,505
<b>Total non-current liabilities</b>		<b>1,838,192</b>	<b>4,801,563</b>
<b>Current liabilities</b>			
Current tax liabilities	10(c)	6,424,759	3,362,616
Bank overdraft	18	25,916	1,984,722
Trade and other payables	21	46,623,111	23,351,899
Loans and borrowings	22	1,657,421	18,618,100
<b>Total current liabilities</b>		<b>54,731,207</b>	<b>47,317,337</b>
<b>Total liabilities</b>		<b>56,569,399</b>	<b>52,118,900</b>
<b>Total equity and liabilities</b>		<b>72,857,269</b>	<b>66,963,549</b>

The financial statements were approved by the Board of Directors on 28 February 2017 and signed on its behalf by:

**Chairman - Jacobs Moyo Ajekigbe, OFR**  
FRC/2013/IODN/000000002472

**Managing Director - Rahul Colaco**  
FRC/2015/MANUN/00000011260

Additionally certified by:

**Financial Director - Ilona Fulop**  
FRC/2014/MANUN/00000006590

The accompanying notes and significant accounting policies on pages 44 to 77 form an integral part of these financial statements.



## statement of profit or loss and other comprehensive income

for the year ended 31 December 2016  
In thousands of naira

	Note	2016	2015
<b>Continuing operations</b>			
Revenue	5	123,749,286	120,716,682
Cost of sales	7	(90,626,196)	(84,360,103)
<b>Gross profit</b>		<b>33,123,090</b>	<b>36,356,579</b>
Sales, marketing and distribution expenses	7	(7,757,175)	(10,267,505)
Administrative expenses	7	(3,971,197)	(4,418,148)
<b>Results from operating activities</b>		<b>21,394,718</b>	<b>21,670,926</b>
Finance income	6	383,348	748,150
Finance costs	6	(1,814,876)	(3,803,098)
<b>Net finance expense</b>		<b>(1,431,528)</b>	<b>(3,054,948)</b>
<b>Profit before income tax</b>	8	<b>19,963,190</b>	<b>18,615,978</b>
Income tax expense	10(a)	(6,100,973)	(5,269,175)
<b>Profit for the year</b>		<b>13,862,217</b>	<b>13,346,803</b>
<b>Other comprehensive income</b>			
Defined benefit plan actuarial gain/(loss)	20	-	46,316
Income tax on other comprehensive income	10(b)	-	(13,895)
<b>Other comprehensive income for the year, net of income tax</b>		<b>-</b>	<b>32,421</b>
<b>Total comprehensive income for the year</b>		<b>13,862,217</b>	<b>13,379,224</b>
<b>Profit for the year is attributable to:</b>			
Owners of the company		13,862,217	13,346,803
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the company		13,862,217	13,379,224
<b>Earnings and declared dividend per share</b>			
Basic and diluted earnings per share (naira)	11	14.20	13.67

The accompanying notes and significant accounting policies on pages 44 to 77 form an integral part of these financial statements.

## statement of changes in equity

Attributable to equity holders of the company  
In thousands of naira

	Note	Attributable to owners of the Company			Total equity
		Share capital	Share premium	Retained earnings	
Balance at 1 January 2015		488,168	350,211	8,720,870	9,559,249
<b>Profit for the year</b>					
Profit for the year		-	-	13,346,803	13,346,803
<b>Other Comprehensive income</b>					
Defined benefit plan actuarial gain, net of tax		-	-	32,421	32,421
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>13,379,224</b>	<b>13,379,224</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividends	19 (b)	-	-	(8,093,824)	(8,093,824)
<b>Balance as at 31 December 2015</b>		<b>488,168</b>	<b>350,211</b>	<b>14,006,270</b>	<b>14,844,649</b>
Balance at 1 January 2016		488,168	350,211	14,006,270	14,844,649
<b>Profit for the year</b>					
Profit for the year		-	-	13,862,217	13,862,217
<b>Other Comprehensive income</b>					
Defined benefit plan actuarial gain, net of tax		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>13,862,217</b>	<b>13,862,217</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividends	19 (b)	-	-	(12,418,996)	(12,418,996)
<b>Balance as at 31 December 2016</b>		<b>488,168</b>	<b>350,211</b>	<b>15,449,491</b>	<b>16,287,870</b>

The accompanying notes and significant accounting policies on pages 44 to 77 form an integral part of these financial statements.

## statement of cash flows

for the year ended 31 December 2016  
In thousands of naira

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Profit before tax		19,963,190	18,615,978
Adjustments for:			
Depreciation	12	1,806,601	1,341,758
Amortisation of intangible assets	13	42,758	32,870
Impairment loss of property, plant & machinery	12	37,423	-
Long service award expense	20(a)	21,425	(68,496)
Gratuity benefits expense/(credit)	20(b)	(766,242)	604,725
Unrealised fair value change in derivatives	18(a)	(314,615)	-
Other post employment benefit expense	20(c)	26,273	119,234
Net finance costs	7	1,431,528	3,054,948
Loss on disposal of property, plant and equipment		94,060	140,497
Proceeds from the sale of fixed assets not yet received		-	-
		<b>22,342,401</b>	<b>23,841,514</b>
Change in inventories		7,601,191	(308,806)
Change in trade and other receivables*		(1,592,054)	(4,307,971)
Change in prepayments		(1,218,722)	(3,328,784)
Change in trade and other payables**		16,653,914	979,928
		<b>43,786,730</b>	<b>16,875,881</b>
<b>Cash generated from operating activities</b>			
Income tax paid	10(c)	(3,515,271)	(6,756,616)
Long service award benefits paid	20	(65,486)	(24,879)
Gratuity benefits paid	20	(1,702,900)	(1,538,730)
		<b>38,503,073</b>	<b>8,555,656</b>
<b>Net cash flow from operating activities</b>			
<b>Cash flow from investing activities</b>			
Finance income	6	383,348	600,248
Proceeds from sale of property, plant and equipment		45,246	27,118
Acquisition of intangible assets		(7,712)	-
Acquisition of property, plant and equipment	12	(1,823,606)	(3,128,364)
		<b>1,402,724</b>	<b>(2,500,998)</b>
<b>Net cash used in investing activities</b>			
<b>Cash flow from financing activities</b>			
Interest paid***	6	(1,814,876)	(3,716,260)
Dividends paid	19(b)	(5,801,698)	(5,511,351)
Repayment of borrowings		(16,960,679)	(9,729,211)
Proceeds from loans and borrowings		-	18,531,262
		<b>(24,577,253)</b>	<b>(425,560)</b>
<b>Net cash used in financing activities</b>			
Net decrease in cash and cash equivalents		12,523,095	5,629,098
Cash and cash equivalent at 1 January	18	14,150,276	8,543,707
Effect of exchange rate fluctuations on cash held		-	(22,529)
		<b>26,673,371</b>	<b>14,150,276</b>
<b>Cash and cash equivalent at 31 December</b>			

\*Change in trade and other receivables has been adjusted for the effect of the write off of WHT credit notes utilised and the effect of foreign exchange gain or loss (Note 6(b)).

\*\*Change in trade and other payables has been adjusted for the effect of movements in dividend payable and the effect of foreign exchange gain or loss (Note 6(b)).

\*\*\* Interest paid has been adjusted for accrued interest amounting to Nil (2015: ₦83.84 million) on short term finance.

The accompanying notes and significant accounting policies on pages 44 to 77 form an integral part of these financial statements.

## notes to the financial statements

for the year ended 31 December 2016

	Page
1 Reporting entity	44
2 Basis of preparation	44
3 Significant accounting policies	45
4 Use of judgements and estimates	54
5 Revenue	55
6 Finance income and finance cost	56
7 Analysis of expenses by nature	56
8 Profit before taxation	57
9 Personnel expenses	57
10 Income taxes	58
11 Earnings per share	60
12 Property, plant and equipment	60
13 Intangible assets	62
14 Prepayments	62
15 Deferred tax liabilities	63
16 Inventories	63
17 Trade and other receivables	64
18a Derivatives	64
18b Cash and cash equivalents	64
19 Capital and reserves	65
20 Employee benefit liabilities	65
21 Trade and other payables	68
22 Loans and borrowings	68
23 Financial risk management and financial instruments	69
24 Operating leases	74
25 Contingencies	74
26 Related parties	75
27 Subsequent events	77



## notes to the financial statements cont'd

for the year ended 31 December 2016

### 1 Reporting entity

FrieslandCampina WAMCO Nigeria Plc ("the Company") is a company domiciled in Nigeria. The address of the Company's registered office is Plot 7b Acme road, Ikeja Industrial Estate, Ogba, Lagos. The Company was incorporated in Nigeria as a private limited liability company on 17 April 1973, and commenced operations on 13 September 1975.

The Company is principally engaged in the manufacturing and marketing of evaporated milk, instant milk powder, ready to drink beverages and other dairy based products.

### 2 Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011. They were authorised for issue by the Company's Board of Directors on 1 March 2017.

The consolidated and separate financial statements for the year ended 31 December 2016 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. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

#### (b) Basis of measurement

The financial statements have been prepared on historical cost basis except for the defined benefit obligations which are recognised at present value as explained in Note 3(i).

#### (c) Functional and presentation currency

These financial statements are presented in Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand except where otherwise indicated.

#### (d) Use of estimates and judgement

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 20	Measurement of defined benefit obligations
Note 25	Contingencies

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### a) Foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Exchange differences arising on the settlement of monetary assets and liabilities are recognised in profit or loss in the period which they arise.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not re-translated.

#### b) Financial instruments

##### I. Non-derivative financial assets

The Company's non-derivative financial assets are classified as loans and receivables. The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes or available for sale. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognized if the carrying amount exceeds the estimated recoverable amount. Loans and receivables comprise intercompany receivables and trade and other receivables.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

##### II. Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loan and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

## notes to the financial statements cont'd

for the year ended 31 December 2016

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### III. Derivative assets and liabilities

A derivative is a financial instrument whose value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and is settled at a future date. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gains or losses are recognized as financial income or expense in the statement of comprehensive loss.

### IV. Share capital

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

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

### c) Property, plant and equipment

#### I. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

#### II. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### III. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	25 years
• Buildings	25 years
• Plant and machinery	
- Workshop machinery	20 years
- Filling and packaging machinery/lines	10 years
- Labelling, box packers and palletizers	15 years
- Utilities and other plant and machinery	13 years
• Motor vehicles	5 years
• Furniture, fittings and tools	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

### d) Intangible assets

#### I. Software

Purchased software with finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

#### II. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### III. Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life for the current and comparative periods is as follows:

Computer software	5 years
-------------------	---------

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### e) Related parties

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.



## notes to the financial statements cont'd

for the year ended 31 December 2016

### f) Leases

#### I. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

#### II. Leased assets

Assets held by the Company under leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

#### III. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows;

Raw and packaging materials, spares and purchased finished goods	-	purchase cost on a first-in, first-out basis, including transportation and clearing costs
Finished goods in process	-	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity
Goods-in-transit	-	purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Engineering spares are classified as inventory and are recognised in the profit and loss account as consumed.

Allowance is made for obsolete, slow moving or defective items where appropriate.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### h) Impairment

#### I. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, but only to the extent of what the instrument would have been if no impairment took place.

#### II. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

## notes to the financial statements cont'd

for the year ended 31 December 2016

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

### i) Employee benefits

#### I. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employee benefits relating to employee service in current and prior periods.

In line with the provisions of the Pension Reform Act 2014 (as amended), the Company has instituted a defined contribution pension scheme for their permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods which related services are rendered by employees. Employees contribute 8% each of the relevant emoluments to the fund on a monthly basis while the Company also contributes 15%.

#### II. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### III. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The company's other long-term employee benefits comprise of a long service award scheme that it has for its employees. The Company's liability with respect to this scheme is determined by an independent actuarial valuation every year by discounting to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration is given to future increases in salary rates and the Company's experience with staff turnover. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are recognized in profit or loss in the period they arise. The effect of any curtailment is also charged in full in profit or loss immediately when the curtailment occurs. The discount rate is the yield on Federal Government of Nigeria issued bonds that have maturity dates approximating the terms of the company's obligation. The Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### IV. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### V. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in the statement of profit or loss and other comprehensive income.

### k) Contingent liabilities

A contingent liability is a possible obligation 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, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

### l) Revenue

#### i. Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Significant risks and rewards of ownership are determined to be transferred to the buyer at the point of delivery to the buyer.

### m) Finance income and finance costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.



## notes to the financial statements cont'd

for the year ended 31 December 2016

Finance costs comprise interest expense on borrowings.

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

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

### n) Tax

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax and deferred tax is recognised in profit or loss except for items recognised directly in equity or in other comprehensive income.

#### I. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax:

- Company Income Tax - This relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.
- Tertiary Education Tax - Tertiary education tax is based on the assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

#### II. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is not recognized for the following temporary differences:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

### o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### p) Government grants

Government grants relating to export sales are recognised when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All of the Company's products have similar risks and returns thus management does not use operating segments' operating results to make decisions about resources to be allocated to the segment and assess its performance.

### r) Dividends

Dividends are recognised as liability in the period they are declared.

Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria are written back to retained earnings.

The Securities and Exchange Commission (SEC) published a circular directing Capital Market Registrars to return all unclaimed dividend which has been in their custody for fifteen (15) months and above to the paying companies. These unclaimed dividends are included as a liability to the shareholders.

### s) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance cost is also included in financing activities while finance income received is included in investing activities.

### t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December, 2016 and beyond, and have not been applied in preparing these financial statements. The one which may be relevant to the Company is set out below.

#### *IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)*

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of these standards is expected to have an impact on the Company's financial assets and liabilities.

#### *IFRS 15 Revenue from contracts with customers (2014)*

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Group (or Company) will adopt the standard for the year ending 31 December 2018.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### IAS 7 - Cash flow statements (2016)

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IAS 7 could have on its business; however, the Group (or Company) will adopt the standard for the year ending 31 December 2017.

### IAS 12 - Income taxes (2016)

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IAS 12 could have on its business; however, the Group (or Company) will adopt the standard for the year ending 31 December 2017.

### IFRS 16 Leases (2016)

The IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Group (or Company) will adopt the standard for the year ending 31 December 2019.

## 4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 5 - Revenue: Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

### b) Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in the following notes:

- Note 20 - Measurement of defined benefits obligation: key actuarial assumptions;
- Note 25 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 4ii. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 23 - financial instruments

### a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement or reporting date. Fair value for short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purposes, at each annual reporting date.

### b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 5 Revenue

Analysis of revenue from sale of goods by geographical area is as follows:

In thousands of naira	2016	2015
Local	122,896,472	119,731,176
Export (Note 26 (d) (ii))	852,814	985,506
	<u>123,749,286</u>	<u>120,716,682</u>



## notes to the financial statements cont'd

for the year ended 31 December 2016

### 6 Finance income and finance cost

#### (a) Net finance cost

In thousands of naira

	2016	2015
Interest income on short term deposit	383,348	600,248
Foreign exchange gain, net	-	147,902
<b>Finance income</b>	<b>383,348</b>	<b>748,150</b>
Financial liabilities measured at amortised cost - interest expense	(1,814,876)	(3,803,098)
<b>Finance costs</b>	<b>(1,814,876)</b>	<b>(3,803,098)</b>
<b>Net finance costs</b>	<b>(1,431,528)</b>	<b>(3,054,948)</b>

#### (b) Foreign exchange loss and gain included in statement of cash flows

In thousands of naira

	2016	2015
Included in trade and other receivables	-	121,885
Included in trade and other payables	-	48,546
Included in cash & cash equivalents	-	(22,529)
Foreign exchange gain, net	-	147,902

### 7 Analysis of expenses by nature

In thousands of naira

	2016	2015
Finished goods, raw materials and consumables*	78,213,969	71,981,214
Transportation cost	2,362,366	1,909,583
Technical service and royalty expenses	3,492,345	3,186,110
Advertisement and promotion costs	3,447,652	4,942,362
Market research expenses	22,101	264,521
Agency personnel cost	696,395	722,274
Employee benefit expense	6,776,834	9,412,619
Non-executive Directors' remuneration	37,120	38,210
Depreciation	1,806,601	1,341,758
Amortisation	42,758	32,870
Impairment of property, plant & equipment	37,423	-
Equipment and machinery rental	61,338	69,099
Operating lease rentals	247,545	446,405
Audit Fees	17,921	15,792
Professional fees	305,601	289,644
Maintenance	1,460,960	1,159,661
Fuel and gas expenses	1,077,162	754,165
Meeting and conference expenses	131,510	36,783
Travel and hotel expenses	319,668	285,595
Impairment of export expansion grant/ receivables	19,203	97,563
Information and Communications Technology (ICT) expenses	739,927	762,488
Insurance expenses	300,661	270,291
Gain or loss on the sale of property, plant and equipment	94,060	140,497
Security expenses	266,074	270,052
Bank charges	240,493	153,883
Office administration & supplies	99,684	159,920
Donations	37,196	302,397
<b>Total cost of sales, selling, distribution and administrative expenses</b>	<b>102,354,568</b>	<b>99,045,756</b>
Summarised as follows:		
Cost of sales	90,626,196	84,360,103
Selling and distribution expenses	7,757,175	10,267,505
Administrative expenses	3,971,197	4,418,148
<b>Total</b>	<b>102,354,568</b>	<b>99,045,756</b>

\* Finished goods, raw materials and consumables includes cost of raw and packaging materials, changes in finished products and product in process consumed during the year and recognised in cost of sales amounting to ₦62.28 billion (2015: ₦52.8 billion) as indicated in Note 16.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 8 Profit before taxation

Profit before income tax is stated after charging/(crediting):

In thousands of naira

	Note	2016	2015
Amortisation of intangible assets	13	42,758	32,870
Auditor's remuneration		17,921	15,792
Depreciation of property, plant and equipment	12	1,806,601	1,341,758
Impairment of property, plant and equipment	12	37,423	-
Non-executive directors' fees	9(c)	1,590	1,675
Loss on disposal of property, plant and equipment		94,060	140,497
Operating lease payments			
- Business premises		86,027	273,489
- Employee accommodation		161,518	172,916
Employee benefit expenses	9(a)	6,776,834	9,412,619
Technical service and royalty expenses	26(d)(i)	3,492,345	3,186,110

### 9 Personnel expenses

(a) Employee benefit expenses for the year comprise of the following:

In thousands of naira

	2016	2015
Salaries, wages and allowances	7,082,992	8,374,451
Contributions to compulsory pension fund scheme	411,812	382,705
Employee benefits expenses	(717,970)	655,463
<b>Total</b>	<b>6,776,834</b>	<b>9,412,619</b>

(b) Employees of the Company, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension costs and certain benefits) in the following ranges:

	2016 Number	2015 Number
₦ 790,001 - 1,290,000	53	70
1,290,001 - 1,790,000	246	394
1,790,001 - 2,290,000	228	115
2,290,001 and above	154	155
<b>Total</b>	<b>681</b>	<b>734</b>

The number of full-time persons employed per function as at 31 December was as follows:

	2016 Number	2015 Number
Production	337	411
Supply chain	47	44
Sales and Marketing	151	137
General Administration	146	142
<b>Total</b>	<b>681</b>	<b>734</b>

## notes to the financial statements cont'd

for the year ended 31 December 2016

- (c) Chairman and directors remuneration  
Remuneration paid to directors of the Company was as follows:

<i>In thousands of naira</i>	2016	2015
Remuneration paid to directors of the Company was as follows:		
Executive director	30,000	26,022
Directors fees - Non-executive	1,590	1,675
Other emoluments (Non-executive directors)	35,530	36,535
	<b>67,120</b>	<b>64,232</b>

The directors' remuneration shown above includes:

<i>In thousands of naira</i>	2016	2015
Chairman's fees	330	275
Chairman's gross emoluments (excluding fees)	7,282	4,677
Highest paid director	30,000	26,022

- (d) The number of directors excluding the Chairman and the highest paid director with gross emoluments within the bands stated below were:

₦	₦	2016 Number	2015 Number
0	- 3,000,000	3	1
3,000,001	- 4,000,000	-	2
4,000,001	- 6,000,000	3	6
6,000,001	- 8,000,000	2	-

## 10 Income taxes

- (a) Amounts recognised in profit or loss

<i>In thousands of naira</i>	2016	2015
<b>Current tax expense</b>		
Current year tax	6,089,654	4,770,909
Current year tertiary education tax	487,760	379,704
	<b>6,577,414</b>	<b>5,150,613</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences Note 15	(476,441)	118,562
Total income tax expense recognised in profit or loss	<b>6,100,973</b>	<b>5,269,175</b>

## notes to the financial statements cont'd

for the year ended 31 December 2016

- (b) Amounts recognised directly in other comprehensive income

<i>In thousands of naira</i>	2016	2015
Remeasurement of defined benefit liability (Note 20(b))	-	(46,316)
Tax (expense)/benefit	-	13,895
	<b>-</b>	<b>(32,421)</b>

- (c) Current tax liabilities

<i>In thousands of naira</i>	2016	2015
Movement in current tax liabilities during the year was as follows		
At 1 January	3,362,616	5,166,154
Current tax expense Note 10 (a)	6,577,414	5,150,613
Payments in the year	(3,515,271)	(6,756,616)
WHT credit notes utilised	-	(197,535)
At 31 December	<b>6,424,759</b>	<b>3,362,616</b>

- (d) Reconciliation of effective tax rate

<i>In thousands of naira</i>	2016	2016	2015	2015
Profit before tax		19,963,190		18,615,978
		<b>19,963,190</b>		<b>18,615,978</b>
Income tax using the Company's domestic tax rate	30.00%	5,988,959	30.00%	5,584,794
Tertiary education tax	2.44%	487,759	2.04%	379,704
Tax effect of:				
Non deductible expenses	11.72%	2,339,402	0.96%	179,542
Exempt income	-1.73%	(345,712)	-0.14%	(26,922)
Prior year under provision	0.00%	-	0.70%	130,781
Change in recognised deductible temporary differences	-9.85%	(1,966,011)	0.54%	99,692
Tax incentive	-2.02%	(403,424)	-5.79%	(1,078,416)
	<b>30.56%</b>	<b>6,100,973</b>	<b>28.30%</b>	<b>5,269,175</b>

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 11 Earnings per share

The calculation of basic and diluted earnings per share has been based on the profit attributable to ordinary shareholders of ₦13,862,216,000 (2015: ₦13,346,803,000) and the weighted average number of ordinary shares outstanding of 976,335,938 (2015: 976,335,938).

The Company did not have any instruments with a dilutive effect during the year thus basic and diluted earnings per share are equal.

	2016	2015
Profit attributable to shareholders	13,862,217	13,346,803
Number of ordinary shares in issue (thousands)	976,336	976,336
Basic and diluted earnings per share (Naira)	14.20	13.67

### 12 Property, plant and equipment

(a) The movement for the year is as follows:

<i>In thousands of naira</i>								
	Notes	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Tools	Assets under construction	Total
<b>Cost</b>								
Balance at 1 January 2015		1,607,967	4,934,371	12,313,170	1,306,936	974,539	2,356,680	23,493,663
Additions			84,499	723,396	861,969	242,924	1,215,576	3,128,364
Transfers		-	19,689	431,345	-	70,272	(521,306)	-
Disposals		-	(32,242)	(403,250)	(312,691)	(171,264)	-	(919,447)
Balance at 31 December 2015		1,607,967	5,006,317	13,064,661	1,856,214	1,116,471	3,050,950	25,702,580
Balance at 1 January 2016		1,607,967	5,006,317	13,064,661	1,856,214	1,116,471	3,050,950	25,702,580
Additions							1,823,606	1,823,606
Transfers			2,038,218	1,185,610	299,211	103,759	(3,626,799)	-
Impairment loss				(37,423)				(37,423)
Disposals				(1,497,827)	(160,656)	(93,864)	-	(1,752,347)
Balance at 31 December 2016		1,607,967	7,044,535	12,715,021	1,994,770	1,126,366	1,247,757	25,736,416
<b>Depreciation</b>								
Balance at 1 January 2015		203,521	853,026	4,989,429	566,975	421,335	-	7,034,286
Depreciation for the year		64,319	256,581	659,631	205,928	155,299	-	1,341,758
Disposals		-	(22,053)	(344,313)	(224,097)	(161,369)	-	(751,832)
Balance at 31 December 2015		267,840	1,087,554	5,304,747	548,806	415,265	-	7,624,212
Balance at 1 January 2016		267,840	1,087,554	5,304,747	548,806	415,265	-	7,624,212
Depreciation for the year		64,319	329,426	724,501	505,209	183,146	-	1,806,601
Disposals				(1,424,684)	(103,779)	(84,578)	-	(1,613,041)
Balance at 31 December 2016		332,159	1,416,980	4,604,564	950,236	513,833	-	7,817,772
<b>Carrying amounts</b>								
At 31 December 2015		1,340,127	3,918,763	7,759,914	1,307,408	701,206	3,050,950	18,078,368
At 31 December 2016		1,275,808	5,627,555	8,110,457	1,044,534	612,533	1,247,757	17,918,644

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (b) Property, plant and equipment under construction

Expenditure on property, plant and equipment under construction during the year is analysed as follows:

<i>In thousands of naira</i>	2016	2015
Buildings	617,068	1,118,114
Plant and machinery	745,527	97,462
Others	461,011	-
	1,823,606	1,215,576

At year end, the Company had various ongoing capital projects which included plant upgrades, replacement of ageing machinery and expansion of warehouse and factory capacity. The projects are expected to be completed in 2017.

No borrowing costs were capitalised in the current year (2014: Nil) as the assets were not funded through interest bearing borrowings.

### (c) Capital commitments

The approved capital expenditure already committed as at reporting date was ₦142 million (2015: ₦238 million). Capital expenditure approved not contracted amounted to ₦2.05 billion (2015: Nil). Capital expenditure will be funded from the Company's internal resources.

(d) There was no property, plant and equipment that was pledged as security for borrowings at year-end (2014: Nil).

### (e) Assets held on finance lease

Included as part of property, plant and equipment is land held under finance lease arrangements for a minimum lease term of 99 years. The lease amounts were fully paid at the inception of the lease. The carrying amount of the leasehold land at the end of the year is presented below:

	2016	2015
Cost	1,607,967	1,607,967
Accumulated depreciation	(332,159)	(267,839)
Carrying amount	1,275,808	1,340,128

The classification of the lease of land as a finance lease is on the basis that the lease transfers substantially all of the risks and rewards of ownership incidental to ownership of the land to the Company.



## notes to the financial statements cont'd

for the year ended 31 December 2016

### 13 Intangible assets

The movement in intangible assets (software) for the year was as follows:

<i>In thousands of naira</i>	2016	2015
<b>Cost</b>		
Balance at 1 January	156,637	156,637
Additions	7,712	-
Balance at 31 December	164,349	156,637
<b>Amortisation and impairment losses</b>		
Balance at 1 January	112,344	79,474
Amortisation for the year	42,758	32,870
Balance at 31 December	155,102	112,344
<b>Carrying amounts</b>		
At 1 January	44,293	77,163
At 31 December	9,247	44,293

### 14 Prepayments

<i>In thousands of naira</i>	2016	2015
Employee accommodation	89,083	163,140
Business premises	72,104	88,700
Deposit for imports	4,530,390	3,527,770
Others	310,218	3,463
	5,001,795	3,783,073
Non current prepayments	20,519	63,920
Current prepayments	4,981,276	3,719,153
	5,001,795	3,783,073

a) Deposit for imports represents prepayments made to the bank by the Company and GMT Limited; the Company's logistics provider to purchase inventory. As at year end, this amount is held by the bank for settlement of the foreign supplier.

b) Non-current prepayments represent long-term portion of prepaid rent.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 15 Deferred tax liabilities

Deferred tax liability/(asset)

<i>In thousands of naira</i>	2016	2015
Property, plant & equipment	2,850,803	2,596,944
Employee benefit	(167,721)	(895,657)
Foreign exchange loss	(1,737,778)	(18,460)
Foreign exchange gain	368,760	107,678
Net deferred tax liability	1,314,064	1,790,505

	Property, plant & equipment	Employee benefit	Foreign exchange loss	Foreign exchange gain	Total
Balance 1 January 2015	2,796,013	(1,137,965)	-	-	1,658,048
Recognised in profit or loss	(199,069)	228,413	(18,460)	107,678	118,562
Recognised in other comprehensive income	-	13,895	-	-	13,895
Balance 31 December 2015	2,596,944	(895,657)	(18,460)	107,678	1,790,505
Recognised in profit or loss	253,859	727,936	(1,719,318)	261,082	(476,441)
Recognised in other comprehensive income	-	-	-	-	-
Balance 31 December 2016	2,850,803	(167,721)	(1,737,778)	368,760	1,314,064

At 31 December 2016, there is no unrecognised deferred tax asset or liability (2015: Nil).

### 16 Inventories

<i>In thousands of naira</i>	2016	2015
Raw and packaging material	2,679,971	4,394,875
Finished goods	3,059,622	1,755,856
Goods in transit	5,571,140	12,744,640
Spare parts and tools	1,389,952	1,406,505
	12,700,685	20,301,876
Inventories are stated after deducting an allowance for obsolescence amounting to:	190,617	197,831

The value of raw and packaging materials, changes in finished products and product in process consumed during the year and recognised in cost of sales amounted to ₦62.28 billion (2015: ₦52.8 billion).

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 17 Trade and other receivables

<i>In thousands of naira</i>	2016	2015
Trade receivables	6,040,665	6,624,790
Insurance claim receivable	14,800	261
Deposit with registrars for dividends	Note 17 (i) 84,785	273,824
Due from related parties	Note 26 (d) 320,571	686,978
Other receivables	3,752,175	1,035,088
Loans and receivables	10,212,996	8,620,941

(i) During the year, cash amounting to ₦14.75 million (2015: ₦34.76 million) was received from First Registrars & Investor Services Limited - the company's registrar - representing unclaimed dividends that have been in their custody for up to fifteen (15) months.

The Company's exposure to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 23.

### 18a Derivatives

<i>In thousands of naira</i>	2016	2015
Derivative assets	314,615	-

Derivative assets are forward contracts reported at fair values and presented as financial assets. Fair value is calculated using the net present value of future cash flows related to these contracts, quoted market forward interest rates, quoted market forward foreign exchange rates or, if quoted forward foreign exchange rates are not available, forward rates calculated based on spot foreign exchange rates using the interest rate parity method.

### 18b Cash and cash equivalents

<i>In thousands of naira</i>	2016	2015
Cash and bank balances	11,756,308	8,200,064
Short term deposits	14,942,979	7,934,934
Cash and cash equivalents in the statement of financial positions	26,699,287	16,134,998
Overdraft	(25,916)	(1,984,722)
Cash and cash equivalents in the statement of cash flows	26,673,371	14,150,276

- Bank overdraft represents the amount drawn down by the Company as at year end from the overdraft line amounting to ₦2 billion received from Diamond bank PLC with an interest rate of 15%.
- The Company's exposure to credit and currency risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 23.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 19 Capital and reserves

#### (a) Ordinary shares

(i) Authorised ordinary shares of ₦0.50 each

<i>In number of shares</i>	2016	2015
At 1 January	1,000,000	1,000,000
At 31 December	1,000,000	1,000,000

(ii) Issued and fully paid ordinary shares of ₦0.50 each

	2016	2015
At 1 January	976,336	976,336
At 31 December	976,336	976,336
Nominal value (in thousands of naira)	488,168	488,168

The premium on the issued ordinary shares is as follows:  
Share premium (in thousands of naira)

	2016	2015
Share premium (in thousands of naira)	350,211	350,211

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All the unissued shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

#### (b) Dividend payable

*Movement in dividend payable*

<i>In thousands of naira</i>	2016	2015
At 1 January	2,733,778	151,305
Declared dividend	12,418,996	8,093,824
Payments	(5,801,698)	(5,511,351)
At 31 December	9,351,076	2,733,778

The dividend payable includes ₦9.25 billion (2015: ₦2.24 billion) that could not be paid to the foreign shareholders - FC Nigeria Holding BV- due to the unavailability of foreign currency.

### 20 Employee benefit liabilities

<i>In thousands of naira</i>	2016	2015
Long service award benefits obligation	405,735	422,682
Gratuity obligations	-	2,469,142
Other post employment benefits	118,393	119,234
	524,128	3,011,058

- Other post employment benefits represents the 'terminal milk benefit' which is a post employment benefit that accrues to the employees and is due at the point of exiting the company. The benefit was valued as at year end by H.R. Nigeria Limited.

The Company has post employment benefit schemes and other long term employee benefit scheme for its employees. The liabilities are all based on independent actuarial valuations by HR Nigeria Limited with FRC registration number of FRC/NAS/00000000738.

The liabilities expose the company to actuarial risks, such as longevity risk and interest rate risk.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (a) Movement in present value of long service award benefits obligation

<i>In thousands of naira</i>	Note	2016	2015
At 1 January		422,682	516,057
<b>Included in profit or loss</b>			
Current service costs		50,470	54,289
Interest cost		48,030	72,018
Curtailment gain		(50,648)	(128,401)
Actuarial loss/(gain)		(26,427)	(66,402)
		<u>21,425</u>	<u>(68,496)</u>
<b>Other</b>			
Benefit paid during the year		(38,372)	(24,879)
At 31 December		<u>405,735</u>	<u>422,682</u>

### (b) Movement in present value of the gratuity obligations

<i>In thousands of naira</i>	Note	2016	2015
At 1 January		2,469,142	3,449,463
<b>Included in profit or loss</b>			
Current service costs		205,536	261,607
Interest costs on obligation		129,410	477,994
Past service cost		(1,101,188)	(134,876)
		<u>(766,242)</u>	<u>604,725</u>
<b>Included in other comprehensive income (OCI)</b>			
Actuarial loss/(gain)		-	(46,316)
<b>Other</b>			
Payments during the year		(1,702,900)	(1,538,730)
At 31 December		<u>-</u>	<u>2,469,142</u>

### (c) Movement in other post employment benefits

<i>In thousands of Naira</i>	Note	2016	2015
At 1 January		119,234	-
<b>Included in profit or loss</b>			
Past service cost (plan amendment)			119,234
Current service costs		13,415	
Interest cost		13,749	
Curtailment gain			
Actuarial loss/(gain)		(891)	
<b>Other</b>			
Payments during the year		(27,114)	
At 31 December		<u>118,393</u>	<u>119,234</u>

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (d) Actuarial (gains) and losses recognised in other comprehensive income for gratuity obligations

	2016	2015
Cumulative amount at 1 January	389,304	435,620
(Gain)/Loss recognised during the year	-	(46,316)
Cumulative amount at 31 December	<u>389,304</u>	<u>389,304</u>

### (e) Actuarial assumptions

The following were the actuarial assumptions at the reporting date (expressed as weighted averages)

#### Financial assumptions

	2016	2015
Long-term Average Discount rate (p.a.)	16%	12%
Long-term Average Future Pay Increase (p.a.)	14%	11%
Long-term Average Future Rate of Inflation (p.a.)	12%	9%

Assumptions regarding future mortality and withdrawal rates are shown below:

#### Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK. This is due to unavailability of published reliable demographic data in Nigeria.

#### Sample age

	2016	2015
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

#### Withdrawal from Service

Withdrawal from service means retirement; voluntary or compulsory disengagement from service.

#### Age band

Age band	2016 Rate	2015 Rate
Less than or equal to 30	4.0%	4.0%
31 - 39	3.0%	3.0%
40 - 44	2.0%	2.0%
45 - 50	2.0%	2.0%
51 - 55	5.0%	5.0%
56 - 60	5.0%	5.0%



## notes to the financial statements cont'd

for the year ended 31 December 2016

### (f) Sensitivity Analysis for long service award benefits obligation

Below is the sensitivity analysis of the principal actuarial assumptions adopted in determining the employee benefit liabilities showing what the obligation value would be if key inputs changed:

	Rate	Other post employment benefits		Long service awards benefits	
		2016	2015	2016	2015
Discount rate	-1%	132,715	-	437,599	458,179
	1%	106,099	-	377,409	391,376
Salary increase rate	-1%	-	-	384,056	399,944
	1%	-	-	429,707	447,951
Inflation rate	-1%	105,165	-	396,691	411,627
	1%	133,651	-	415,878	435,209
Mortality	Age rated up by 1 year	118,504	-	404,257	421,093
	Age rated down by 1 year	118,293	-	407,063	424,109

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 21 Trade and other payables

In thousands of naira

	Note	2016	2015
Trade payables		5,293,842	6,016,995
Other payables and accruals		4,985,557	3,950,903
Amount due to related parties	Note 26 (d)	26,992,636	10,650,222
Dividend payable		9,351,076	2,733,779
		<b>46,623,111</b>	<b>23,351,899</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

## 22 Loans and borrowings

In thousands of naira

	Note	2016	2015
Short Term Finance	Note 22 (a)	1,261,202	2,886,838
GMT Nigeria Limited	Note 22 (b)	396,219	15,731,262
		<b>1,657,421</b>	<b>18,618,100</b>

- This represents short term finance of ₦1.26 billion obtained from Access Bank (2015: ₦2.89 billion). The interest rate for the short term facility was between 7% and 10%.
- Borrowings amounting to ₦396 million (2015: ₦15.73 billion) represents the invoice amount paid on behalf of the Company by GMT Nigeria Limited for the purchase of finished goods and raw materials. The Company engaged GMT, a logistics provider to assist with the importation and clearing of certain raw materials and finished goods. Payment term ranged from thirty (30) to eighty-five (85) days from the invoice date. Interest rate is charged at 21.0%.

## notes to the financial statements cont'd

for the year ended 31 December 2016

## 23 Financial risk management and financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Management Team, which is responsible for developing and monitoring the Company's risk management policies. The Leadership Team reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company also has an Internal Audit department that undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported on a regular basis.

### (a) Credit risk

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

### i. Exposure to credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

The carrying amount of financial assets represents the maximum credit exposure.

### Loans and receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's credit assessment process may include specified cash deposits by new customers. Credit limits are established for qualifying customers and these limits are reviewed regularly by the credit control unit. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The credit control unit is charged with the review of each customer's credit limit in line with the customers' performance in the preceding period and perceived risk factor assigned to the customer.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a key distributor or retail distributor, geographic location, and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale and retail customers.

## notes to the financial statements cont'd

for the year ended 31 December 2016

Amount due from related parties at year end represents balance outstanding on sales made to related parties. Other receivables represent unclaimed dividends with the registrars, staff advances and receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, customers with outstanding amounts but have not placed orders or traded for a prolonged period of time (usually one year) and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

### ii. Impairment losses

The ageing of loans and receivables that are unimpaired at the reporting date was:

In thousands of naira	Carrying amount	
	2016	2015
Less than 0-30 days	9,364,720	7,461,600
30 - 90 days	160,999	139,758
Above 90 days	453,744	824,457
Total Unimpaired loans and receivables	10,096,230	8,523,378
Impairment	116,766	97,563
Total loans and receivables	10,212,996	8,620,941

The Company has made an allowance for impairment in respect of loans and receivables as the Company has identified doubtful debts at 31 December 2016 of ₦116.77 million (2015: ₦97.56 million).

The movement in the allowance for impairment in respect of trade receivable during the year are as follows:

In thousands of naira	2016	2015
Balance at 1 January	97,563	-
Impairment recognised	19,203	97,563
Balance at 31 December	116,766	97,563

The impairment loss as at 31 December 2016 relates to some customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts are collectible based on historical payment behaviour and extensive analysis the underlying customers' credit rating. In addition, no loans and receivables were written-off during the year as uncollectable.

### Cash and cash equivalents

The Company's cash and cash equivalents represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are reputable and have a sound financial position.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

## notes to the financial statements cont'd

for the year ended 31 December 2016

The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 30 days. The Company also monitors the level of expected cash inflows on cash customers and trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Where required, the company may utilise related party funding facilities to manage liquidity risk.

The Company also has bank overdraft and import finance facilities with its bankers and at year-end, the facilities amounted to ₦13.3 billion for the overdraft facility and ₦14.9 billion and USD 43 million for import facility (2015: ₦9.9 billion for overdraft and ₦8.3 billion and USD 25.2 million for import facility). Total facility utilized as at year end amounted to Nil for overdraft and ₦1.3 billion for import facility (2015: ₦1.98 billion for overdraft and ₦2.8 billion for import facility).

### Liquidity analysis

The following are the contractual maturities of financial liabilities including, where relevant, estimated interest payments and excluding the impact of netting agreements.

2016 In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
<b>Non-derivative financial liabilities</b>						
Bank overdraft	25,916	25,916	25,916	-	-	-
Trade and other payables	46,623,111	46,623,111	46,623,111	-	-	-
Loans and borrowings	1,657,421	1,657,421	1,657,421	-	-	-
	48,306,448	48,306,448	48,306,448	-	-	-
<b>2015</b>						
2015 In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
<b>Non-derivative financial liabilities</b>						
Bank overdraft	1,984,722	1,984,722	1,984,722	-	-	-
Trade and other payables	23,351,899	23,351,899	23,351,899	-	-	-
Loans and borrowings	18,618,100	18,692,152	18,692,152	-	-	-
	43,954,721	44,028,773	44,028,773	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (c) Market risk

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

#### i. Currency risk

The Company is exposed to currency risk on purchases and payables that are denominated in a currency other than the functional currency of the Company, primarily the Naira. The currencies in which these transactions primarily are denominated are Euro and United States Dollar (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company's policy is to ensure that its net exposure in respect of monetary assets and liabilities denominated in foreign currencies are kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

#### ii. Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the Management of the Company based on its risk management policy was as follows:

Amounts in thousands	2016		2015	
	Euro	USD	Euro	USD
Cash and cash equivalents	198	960	1	24,814
Trade and other receivables	-	562	-	3,443
Trade and other payables	(9,902)	(59,171)	-	(47,431)
Net exposure	(9,704)	(57,649)	1	(19,174)

The following significant exchange rates applied during the year;

	Average rate		Year end spot rate	
	2016	2015	2016	2015
Euro	305.15	214.21	368.1	214.00
United states dollar (USD)	278.76	195.52	350	196.99

#### iii. Sensitivity analysis

A 10 percent (2015:10 percent) strengthening of the Naira, as indicated below, against the Euro and the USD would have affected the measurement of financial instruments denominated in foreign currency and increased / (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in thousands of Naira	2016		2015	
	Equity	Profit or (loss)	Equity	Profit or (loss)
Euro	-	(357,206)	-	28
USD	-	(2,017,719)	-	(377,716)

A 10 percent weakening of the Naira against the above currencies at the reporting date would have had the equal but opposite effect to the amounts shown above.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (d) Interest rate risk

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. Dividend pay-out practices seek a balance between giving good returns to shareholders on one hand and maintaining a solid debt to equity ratio on the other hand.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

#### Fixed rate instruments

The Company has no fixed rate instruments.

#### Variable rate instruments

In thousands of Naira

	2016	2015
Short term deposits - financial assets	14,942,979	7,934,934

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015. The change would not affect equity.

	2016		2015	
	100 BP decrease	100 BP increase	100 BP increase	100 BP decrease
Variable rate instruments	104,601	(104,601)	55,545	(55,545)
Cash flow sensitivity (net)	104,601	(104,601)	55,545	(55,545)

### (e) Fair values

#### Fair values versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of Naira

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets carried at amortised cost</b>				
Loans and receivables	10,212,996	10,212,996	8,620,941	8,620,941
Cash and cash equivalents	26,699,287	26,699,287	16,134,998	16,134,998
	36,912,283	36,912,283	24,755,939	24,755,939
<b>Liabilities carried at amortised cost</b>				
Trade and other payables	46,623,111	46,623,111	23,351,899	23,351,899
Loans and borrowings	1,657,421	1,657,421	18,618,100	18,618,100
	48,280,532	48,280,532	41,969,999	41,969,999

The basis for determining fair values is disclosed in Note 4.

For financial instruments that are short-term, management believes that their fair values are not expected to be materially different from their carrying values.



## notes to the financial statements cont'd

for the year ended 31 December 2016

### (f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company's debt to capital ratio at the end of the reporting period was as follows:

<i>In thousands of naira</i>	2016	2015
Total liabilities	56,569,399	52,118,900
Cash and cash equivalents	(26,699,287)	(16,134,998)
Net debt	29,870,112	35,983,902
Total equity	16,287,870	14,844,649
Debt to capital ratio at December 31	1.83	2.42

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### 24 Operating leases

The Company has operating leases for business premises and accommodation for certain employees. The leases typically run for a period of one to two years and are renewable at the end of the contract. The full lease rental is paid in advance at the commencement of lease. Refer to note 8 for amounts expensed in respect of these leases and Note 14 for prepayments at year-end.

### 25 Contingencies

#### (a) Guarantees

There are contingent liabilities for guarantees to a bank in respect of:

<i>In thousands of naira</i>	2016	2015
Staff car loans	63,917	121,358
Staff housing loans	187,478	287,855

The Company's exposure to contingent liabilities arising from staff car and housing loans is limited as these loans are secured by employee retirement benefits.

#### (b) Pending litigations

There are five lawsuits pending against the Company in a court of law and a claim against the Company which are being handled by external legal counsel. At year-end, the contingent liability in respect of these amounted to ₦582.7 million (2015: ₦453 million). In the opinion of the Directors and based on independent legal advice, no material losses are expected to arise from these claims. Hence, no provision has been made in these financial statements.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 26 Related parties

#### (a) Parent and ultimate controlling party

The parent and ultimate controlling party of the Company is Friesland International Beheer B.V, incorporated in Netherlands, with a 67.81% (2015: 67.81%) shareholding.

#### (b) Transactions with key management personnel

##### Loan to key management personnel

Loans to key management personnel issued during the year ended 31 December 2016 was Nil (2015: Nil). At 31 December 2016, the balance outstanding was Nil (2015: Nil).

#### (c) Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to key management personnel, and contributes to a post-employment defined contribution plan on their behalf. In accordance with the terms of the plan, key management personnel are entitled to access the fund when they retire.

Key management personnel also participate in the Company's long service award and terminal milk benefit programmes. These programmes award certain sums of cash benefit which accrue to the recipient on graduated periods of uninterrupted service.

Key management personnel compensation comprised:

<i>In thousands of naira</i>	2016	2015
Short-term employee benefits	150,379	105,939
Contribution to compulsory pension fund scheme	9,347	11,457
Long-term employee benefits	4,673	9,184
	164,399	126,580

The directors of the Company have also been identified as related parties and their remuneration has been disclosed in note 9 (c). At year-end, the directors held 0.39 percent (2015: 0.39 percent of the company's issued share capital).

#### (d) Other related party transactions

##### (i) Payables, purchases and royalty expense

<i>In thousands of naira</i>	Nature of transaction	Transaction value for the year		Balance outstanding at year-end (Note 17)	
		2016	2015	2016	2015
Related Party					
Friesland Brands B.V., Netherlands	Royalty expense (Note (e)(i), 8)	3,492,345	3,186,110	4,328,557	1,187,638
FrieslandCampina B.V., Netherlands	Purchases (Note (e)(ii))	44,740,625	43,759,286	22,664,079	9,462,584
FrieslandCampina Support Centre Asia and Pacific, Malaysia	Technical support (Note (e)(iv))	-	488,999	-	-
		44,740,625	47,434,395	26,992,636	10,650,222

## notes to the financial statements cont'd

for the year ended 31 December 2016

### (ii) Receivables and sales

In thousands of naira	Nature of transaction	Transaction value for the year		Balance outstanding at year-end (Note 17)	
		2016	2015	2016	2015
Friesland Export West Africa, Netherlands	Sales (Note (e) (iii), 6)	852,814	985,506	320,571	126,774
FrieslandCampina B.V, Netherlands	Limited risk distribution transaction (Note (e) (ii), 16)	-	4,697,688	-	560,204
		<b>852,814</b>	<b>5,683,194</b>	<b>320,571</b>	<b>686,978</b>

All outstanding balances with these related parties are to be settled in cash within six months of the reporting date.

The dividend due to the foreign shareholders has been included as part of the dividend payable in Note 19b.

### (e) Transactions with related parties

- (i) The Company has a Know-How and Trade mark agreement; and Research and Development Technical Know-How agreement with Friesland Brands B.V., in the Netherlands, for which it pays royalties. Technical Know-How agreement royalty fees are computed as a percentage of profit before tax while royalty fees on trade mark and research and development agreement are computed as a percentage of net sales of the related products. An amount of ₦3.49 billion (2015: ₦3.19 billion) has been charged to the profit or loss account in respect of these fees (Note 8).

The agreements are made with the approval of the National Office for Technology Acquisition and Promotion (NOTAP) and payments are made to Friesland Brands B.V.

Details of the NOTAP certificates are listed below:

- File number AG/MN/126/15/40 with a limit not exceeding ₦3.03 billion
- File number NOTAP/AG/MN/126/16/57 with a limit not exceeding ₦4.69 billion
- File number NOTAP/AG/MN/126/17/106 with a limit not exceeding ₦4.13 billion
- File number NOTAP/AG/MN/126/15/191 with a limit not exceeding ₦0.61 billion (extension of File number AG/MN/126/15/40 with a limit not exceeding ₦3.03 billion)

- (ii) The Company also entered into transactions with FrieslandCampina B.V., Netherlands, for the purchase of finished products, raw materials and spare-parts. FrieslandCampina BV maintains a current account with the Company in respect of these transactions.
- (iii) The Company exports milk products to Ghana through Friesland Export West Africa, Netherlands.
- (iv) The Company received SAP accounting software technical support from FrieslandCampina Support Centre Asia and Pacific, Malaysia, in the current year.

## notes to the financial statements cont'd

for the year ended 31 December 2016

### 27 Subsequent events

Subsequent to the reporting date, the Board of Directors recommended a dividend of ₦7.70 per share subject to the deduction of appropriate withholding tax at the time of payment. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. There are no other significant subsequent events which could have had a material effect on the state of affairs of the Company as at 31 December 2016 that have not adequately been provided for or disclosed in the financial statements.

On January 6, 2017, there was a fire outbreak in the condensed factory at the Company's premises in Ogba. The fire was promptly put under control by the Lagos State Fire Service supported by FrieslandCampina WAMCO Safety Team and corporate neighbours. No casualties were recorded in the process as immediate action was taken to safeguard the lives of employees on duty by evacuating them. The fire was caused by electrical malfunction in the conveyer section. Plant & machinery and business interruption loss from the fire is currently estimated at ₦10 billion. A claim for this is being processed with The Company's insurers. The impact on production will be offset in the short term by increased importation of goods. It is expected that normal production volume will be attained by 31 December 2017.

## other national disclosure

## value added statement

for the year ended 31 December 2016

### Other national disclosures

<i>In thousands of naira</i>	2016	%	2015	%
Revenue	123,749,286		120,716,682	
Brought in materials and services	(93,728,375)		(88,226,088)	
- Local	(29,624,178)		(24,456,571)	
- Imported	(64,104,197)		(63,769,517)	
	<b>30,020,911</b>		32,490,594	
Actuarial gain				
Finance Income	383,348		748,150	
<b>Value Added</b>	<b>30,404,259</b>	<b>100</b>	33,238,744	100
<b>Distribution of Value Added:</b>				
To Government as:				
- Government as taxes	6,100,973	20	5,269,175	16
To Employees:				
- Employees as wages and salaries and end of service benefits	6,776,834	22	9,412,619	28
To Providers of Finance:				
- Finance costs	1,814,876	6	3,803,098	11
- Interim dividends	2,880,191	9	3,866,290	12
Retained in the business:				
- Depreciation of tangible assets	1,806,601	6	1,341,758	4
- Amortisation of intangible assets	42,758	-	32,870	0
- Proposed dividends	7,517,787	-	9,538,802	29
- To augment reserves	3,464,239	36	-25,868	0
	<b>30,404,259</b>	<b>100</b>	33,238,744	100









**"...because  
my milk  
gives me  
a boost  
of energy"**

Young kids need the right nutrition to keep them physically fit all day long. That's why milk should be an essential part of their meals everyday. The goodness of milk gives them the energy boost they need to win.



# the joys of giving back



Our visit to Kaduna State on World Milk Day was organised based on the state's comparatively large primary school enrolment. A team of staff volunteers, educated the school children on the wholesome health benefits of milk consumption.

As the nutrition partner of choice, FrieslandCampina WAMCO is positioned to support various governments in ensuring that the average Nigerian child is well nourished to help their mental and physical development.

### Orphanage fix-up at Chims Motherless Home, Abia

We had a successful charity outreach to Chims Motherless Babies Home, Aba in December where the company commissioned the newly-renovated orphanage and organized a Christmas party for the children in the home. The orphanage is currently home to 16 children who are educated through an inclusive school, attached to the home.

The renovation of the orphanage, which was majorly executed by staff volunteers in the East region, included replacement of broken louvres, torn doors and window nets, painting of the interior/ exterior and an overhaul of the bathroom and toilet. The renovated rooms will provide a better living environment as well as improved sanitary conditions for the children and their caregivers. Employees donated cash and kind, including items like 5KVA power generator, bunk beds, ceiling and standing fans, non-perishable food items, books, toys, clothes etc.

FrieslandCampina WAMCO believes in integrating CSR into its business philosophy, and these project ties in well with the second pillar of our mission statement which covers our social responsibility to care for people and the community in which we operate in.



### Partnering St. Louis school for special children, Ikot Ekpene

In July, the company collaborated with Daughters of Charity - St Louis Special School, Ikot Ekpene, a renowned institution that provide disabled persons a platform to acquire vocational skills that keep them employed and relevant to the society.

In line with their needs, FrieslandCampina WAMCO supported the school with the following: Utility vehicle to facilitate logistics; Industrial baking oven to increase production capacity; Nutrition support through product donation for the pupils on board and Safety awareness enlightenment to improve their safety culture.

Through this intervention, the school is able to scale up its efficiency and the students have better opportunity to integrate themselves in the society and reduce their distance to labour market.



### Nutrition support for IDPs

In August, CEO, Roelof Joosten, in company of Jacobs Ajekigbe, Chairman Board of Directors, Rahul Colaco, erstwhile Managing Director and Ore Famurewa, Corporate Affairs Director visited the IDP Kuchingoro camp in Abuja. The team made a product donation through the Nigeria Red Cross to support the nutritional needs of over 250 children living in the camp.

Likewise, the company partnered the "Get Involved" Initiative of the First Lady, Mrs. Aisha Buhari, to reach out to displaced families in the North-East.

### Nourishing Kaduna school pupils on world milk day

On June 1, the company celebrated the World Milk Day with L.E.A Primary School, Lokoja road, Rigasa in Kaduna State, where thousands of excited school children received sachets of high-quality Peak milk. Known to have over 29,000 pupils enrolled, the school is the most populous in the state.



# dairy development – a top priority



## Visit of the Honourable Minister of Agriculture Chief Audu Ogbeh and Senior Ministry Officials to The Netherlands

In May 2016, the Honorable Minister of Agriculture, Chief Audu Ogbeh and his retinue, visited The Netherlands to see firsthand how the Dutch dairy chain is organised from grass to glass, and how FrieslandCampina guarantees the safety and quality of her products.

Highlights of the visit include:

- The signing of pact between Royal FrieslandCampina and the Federal Ministry of Agriculture and Rural Development (FMARD) to roll out

new dairy programmes designed to safeguard food and nutrient security in Nigeria

- The signing of Farmer2Farmer agreement between the Ministry of Agriculture and Rural Development, and FrieslandCampina to start the Farmer2Farmer programme that will strengthen the position of dairy farmers and cooperatives in Nigeria

- The expression of interest for academic and technical support to train undergraduates in Nigerian Tertiary Institutions for FC WAMCO's ongoing Dairy Development Programme (DDP) in Nigeria,

through the Wageningen University and Research Centre

## Visit to President Muhammadu Buhari

On 8 August, Mr. Roelof Joosten, the CEO, Royal FrieslandCampina, led a delegation of FrieslandCampina WAMCO Nigeria and some dairy farmers on a courtesy visit to Muhammadu Buhari, President of the Federal Republic of Nigeria, at the Presidential Villa in Aso Rock, Abuja.

The discussion with the President centred around Royal FrieslandCampina's expertise as the lead partner to develop Nigerian dairy sector, importance of Nigeria for Royal FrieslandCampina and



WAMCO's commitment to help scale up sustainable Dairy Development Programme model.

Ministers of Agriculture, Health and Industry and Trade and Investment were also present at the meeting.

## Visit of Wageningen University of Research (WUR) to University of Ibadan

In September, Professors from the Wageningen University of Research (WUR) alongside a team from FrieslandCampina WAMCO held a meeting with the Vice Chancellor, University of Ibadan and other members of the governing council of the institution to initiate a plan on how to develop a dairy curriculum in Nigeria institutions and also collaborate on research that will further develop dairy in Nigeria.

## Renewal of DDP MoU

The Memorandum of Understanding signed in 2011 between FrieslandCampina WAMCO and the Federal Ministry of Agriculture and Rural Development expired in April, 2016. The MOU was renewed in June 2016 to extend the Private-Public-Partnership and also bring into focus the development of a sustainable small holder dairy farming programme.

## FDOV, Dairy for Growth (D4G) visit Fasola MCC to meet with Fulani dairy farmers

There is a need to make dairy farming more sustainable and productive, therefore, Royal FrieslandCampina, The Netherlands, FrieslandCampina WAMCO, The International Fertilizer Development Centre and Wageningen University of Research agreed to partner in order to embark on a project that will be partly funded by the Dutch government termed "FDOV Dairy for growth (D4G)". This is a small holder dairy farming agribusiness project in which selected small holder dairy farmers will be supported with



dairy equipment to facilitate sustainable and productive dairy farming business. In order to kick off the project, officials of the Dutch government and other project partners visited the DDP locations at different times from March, 2016 to assess the current DDP activities, select the potential dairy farmers/dairy clusters as well as plan for the effective implementation of the project.

## Milk pooling at Akele: Fulani homestead

Akele community near Fasola, Oyo West local government is one of the Fulani communities that supply raw milk on a daily basis to FrieslandCampina WAMCO milk collection centre. It is a large community of extended family members who usually milk their individual cows; aggregate or pool the milk together and then load on to motor cycles which convey the milk in certified milk cans to the milk collection centre in Bale village, Fasola, Atiba local government, Oyo state.

## Training on good dairy farming practices (GDFFPs) for Fulani Youth at Ooto

One of the key performance indicators of 2016 was to train the farmers on

good dairy farming practices which cut across animal welfare, skilled and hygienic milking, appropriate feeding, environmental impact assessment, good dairy farming management, etc. Selected Fulani farmers have been trained at different locations and are expected to carry out optimal dairy farming practices; although there is still some reluctance to change especially to modern farming techniques that are in variance to their normal practices. Essentially, the plan is to ensure optimal dairy farming practices implemented at the small holder dairy farms that can be replicated.

## Visit of DDP Regional Manager Asia & Africa, Sybren Attema to the University of Ibadan

In June, 2016 the Regional Dairy Development Manager, Africa and Asia Mr. Sybren Attema, who was in Nigeria for the biannual DDP Core-partners' meeting, visited the management of the University of Ibadan to further discuss collaboration with respect to the small holder dairy farming cluster development involving young graduates of the institution.





# co-creating a healthy work environment



FrieslandCampina WAMCO aspires to be an inspiring and dependable employer that offers its employees opportunities, relevant training and a good and safe working environment.

We believe in growing together to achieve our common goal irrespective of demographics or social-cultural differences. To support this, staff are brought together through various bonding initiatives such as team away days, monthly aerobics session, annual FC WAMCO Games, quarterly TGIF, end of year party etc.

## Healthy together – aerobic session for employees

We believe regular exercise helps to improve quality of life, reduce health risk and enhance personal effectiveness. That's why the monthly Healthy Together session was introduced for all employees.

Plus, research has proven that human beings are more productive when they exercise; because more oxygen to the brain means an increased ability to think and reason.

## FC WAMCO games

For continuous staff engagement, the FC WAMCO Games create an avenue for employees to bond while keeping fit and creating a winning attitude.

In 2016, we had the 11th edition of the games. This engagement was exciting and it featured a mix of employees across function.

The special feature for this year is the name change of FC WAMCO Cup to FC WAMCO Games. This change highlights the inclusion of other games such as scrabble, chess, table tennis, etc. in the competition.



## TGIF- celebrating success

The key objective of Thank God It's Friday (TGIF) is to create an informal environment for employees to relax and think about the business in a positive way. This occasion provides a platform to recognize teams and for employees to take pride in marking various milestones. Besides, the TGIF post event discussion makes it easier to internalize and sharpen organizational values.



## Compass for good Business Conduct

In 2016, FrieslandCampina reiterated its passion for doing business in the right way by relaunching its Code of Business Conduct. Business in FrieslandCampina is done in accordance with the values set out in our Compass; our guide for good business conduct. These values all relate to behaving with integrity, with respect and in a transparent way. The behaviour of FrieslandCampina is the sum of the behaviour of all its employees and officials, and on which our success and reputation as an organisation depends.

This is the reason it is named "Compass". Our Compass is one of the most important documents in our Company, as it includes our basic principles. In short, it describes how we should behave when doing business.

On January 15, 2016, erstwhile Managing Director, Rahul Colaco presented to FrieslandCampina WAMCO Nigeria employees this relaunched Code of Conduct, known as the Compass. It was re-emphasized to all employees that in the course of work, we may all be confronted with obstacles,

difficult choices and dilemmas. At such moments the Company's Compass should serve as a guide for good business conduct.

Our Compass also encapsulates our belief in responsible entrepreneurship, which means that all of us must take responsibility by following our Compass.

The values and principles of our Compass was re-enforced through classroom training sessions with employees, FrieslandCampina WAMCO Nigeria Plc being the first amongst other Opcos to receive this training.

These sessions were very interactive, with employees' active participation in activities that brought to bear on the principles of our Compass and engaging discussions on potential dilemmas.

## Speak up

Employees were also educated on the Speak-Up procedure wherein they are encouraged to speak up when in a dilemma or if they are faced with or become aware of situations that are not in line with our Compass. It is understood that speaking up takes courage and as such, we continue to encourage each other to speak up if worried that something wrong or dangerous is happening at work.

Employees now have a good understanding of our Compass and are encouraged from time to time to Speak Up on issues relating to our Compass.



## Triple A award

To ensure employees fully imbibe the 3A values of Alignment, Accountability and Action, an award was instituted in 2015. The award seeks to encourage cross functional team synergy, recognize key business achievement and ultimately reward hardwork.

In 2016, two teams of about nine employees came out tops in the challenge. The winning teams were the Forex team for effectively executing and managing the Foreign Exchange Process and the Project Zeus /DMS team for increasing the company's direct coverage by over 700% by end 2015. They were rewarded with an educational tour to The Netherlands.



## helping children grow strong and smart



In June 2016, FrieslandCampina WAMCO officially launched Peak 456 - Nigeria's first and only Growing Up Milk specially formulated for children ages 4 to 6 years of age. New Peak 456 Growing Up Milk supports the child's brain growth during the important developmental period from 4 years onwards. Since about 90% of a child's brain growth occurs in the first 5 years of life, Peak 456 Growing Up Milk is fortified with DHA to support this growth.

With tagline "Grow Strong & Smart" and communication campaign "Curiosity", a comprehensive 360° communication was rolled out to support this product. Please see below some of the highlights.

The launch activities kicked off with a media launch themed "The role of nutrition in physical and mental development of our growing up children" with representatives from top print media houses, TV stations and digital blogs in attendance. Formal unveiling of the product was conducted by Professor Ngozi Nnam, President, Nutrition Society of Nigeria and Special Guest Speech was given by A.J. van Triest, Global Chief Marketing Officer.



Concurrently, a trade initiative - Zeus Reloaded was rolled out with the aim of driving trade advocacy, achieving distribution and availability. This successfully generated demand and drove sell out of Peak 456 in 93 territories Pan Nigeria.

To raise awareness and drive conversion, some activities were targeted at consumers and shoppers. These included the Children's Day activation which engaged 7000 children, the AY Comedian/Emmanuel digital video through which 5 million people were reached and the shopper activations which engaged over 25000 shoppers.



### Peak 456 wins MarketingWorld Awards

In November 2016, Peak 456 won the MarketingWorld Awards for Emerging Brand of the Year. Other nominees in the category were Hollandia Mixology Grab 'n' go, Golden Magarine & Indomie belleful.





# winning in the market



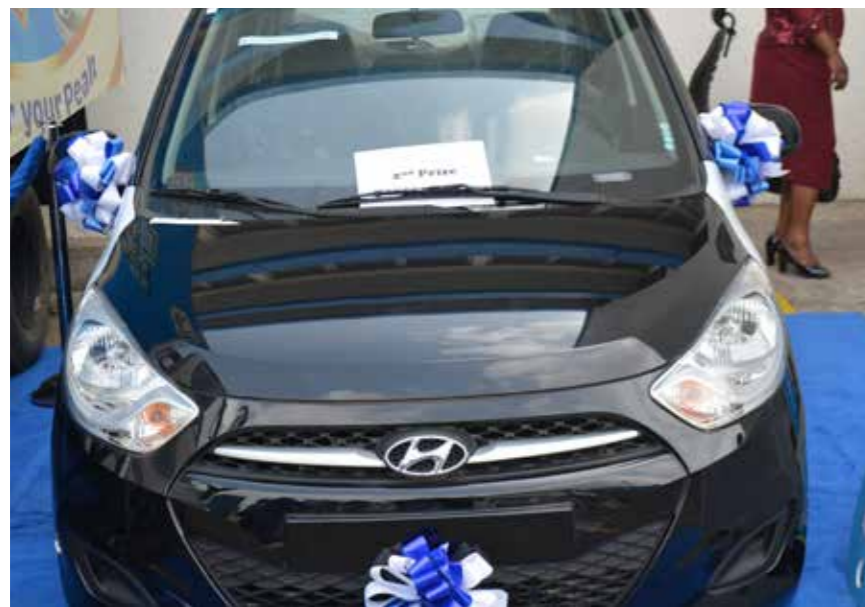
## KBP "grow more" promo

2016 was a challenging year and in order to achieve sales targets, we decided to drive volumes to continue to hold our position in the market place.

As part of strategy to achieve our sales target and also reward our KBPs we proposed a stretched target "Grow more promo" through which our Key Business Partners (KBP) were given a task to grow their businesses over their signed June-Sept 2016 Rolling Forecast plan.

Top 3 KBPs who met the requirements in the 10 regions were rewarded with a star prize of 3.5 Ton truck, 2nd prize of Hyundai I 10 Car and the 3rd prize winners got a 10 KVA generator.

Winners were excited with the gift items and promised to continue to grow with the company.



## Commercial conference: Dare2 Win

Annual commercial conference 2016 was held to review 2015 commercial performance and discuss fresh business direction for 2016, as well as foster business excellence amongst sales teams to positively impact the growth of the business.



## Pecadomo market storm

To sustain our promise of nourishing Nigerians with quality dairy nutrition, FrieslandCampina WAMCO launched a campaign to create awareness of the versatility of milk to consumers to further drive penetration.

As category leaders, the Peak brand captioned "Versatility of Milk" campaign to drive increase in usage of Peak in homes, as a nourishing additive to various recipes and continue to deliver on our brand promise.

The campaign - versatility of milk, was activated across various channels, open markets, modern trade outlets, neighbourhood and compound activation. To activate the Northern shopper, this was done by activating the top influencer in the home which is the wife with a compound activation. The males do the shopping in core North and the meal influencer is the wife.



In the Northern part of Nigeria to ensure shoppers had a one on one interaction while learning different exciting preparatory recipes with Peak, a chef demonstrated and sampled shoppers on the various smoothie options of milk. Shoppers were digitally activated and linked to PECADOMO page via the QR CODE below to scan and do more with milk.





# we believe in zero



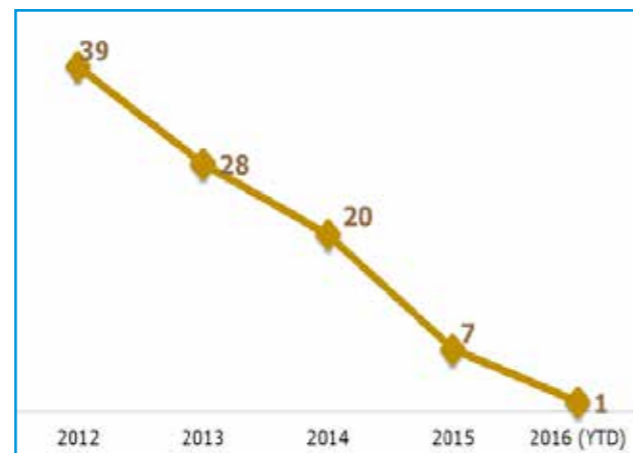
## Celebration of 4 years zero LTA

### Safety day 2016

13th December was a special day for us at FrieslandCampina WAMCO. In 2016, we achieved the incredible milestone of 4 years without a Lost Time Accident (LTA). This achievement was celebrated with the theme "We believe in Zero".

The aim of 2016 Safety day was to stimulate the desired safety behaviour in our next proactive level of safety culture, where safety leadership and values drive continuous improvement. Major highlights of the day include, fitness walk by all staff and video clips of departmental contributions to zero injuries. The day was quite engaging with other colourful activities like creativity contest, vehicular safety campaign by FRSC and interactive session with contractors.

According to the MD, Rahul Colaco, during his opening remarks, this milestone has little to do with luck, and a lot to do with the many improvements we have made over the last years. This includes improvements both in the areas of hardware (machine and processes), and software (people and behaviours). "Going forward, our new belief is Zero injury. We are confident that this new belief can truly be embedded in our DNA" stated the MD. The management, through a companywide incentive, thanked all staff for playing a role in this historic achievement.



The 9jaSAFE Merit Award for outstanding commitment to safety health and environment

With safe people and machines, we add value to milk

With safe people and machines, we add value to milk; this is evident in our accident trend. The number of Medical Treatment Accident (MTA) has drastically reduced from 39 in 2012 to 1 in 2016. In addition, we received a Merit Award for outstanding commitment to Safety health and Environment from a professional body "9jaSAFE" in affiliation with Lagos State Safety Commission.

As part of our leading indicators, to be sure we are using safe people and machines to add values to milk, we organized Safety leadership training with focus on influencing our hearts and minds. Eight (8) in-house trainers have been developed and more than 150 employees have been trained across departments and functions.



Safety leadership training



FRSC vehicular safety campaign



# three crowns in every moment

In 2016, Three Crowns Milk launched its “Fit in every moment’ campaign. A campaign that captures the selflessness of mothers and the sacrifices they are willing to make in order to ensure the entire family is happy.

Therefore, Three Crowns positioned itself as a brand that is dedicated to keeping mums fit in all these moments by virtue of its low cholesterol benefit and essential vitamins and minerals such as calcium, Iron, Zinc, vitamin A, to enrich the body with the right nutrients to live a healthy and beautiful life.

The brand ensured that all its communications; offline and online, focused on this campaign.



[www.femininelounge.com](http://www.femininelounge.com)



The Three Crowns Mum of the Year event created an atmosphere where mothers showcased their all-round persona; fit, smart, fine and cool, with the winner getting an all-expense paid trip to Dubai for her entire family of four together with several other benefits for her family.

Asides mothers, the campaign also encouraged a healthy and fit lifestyle among its users with the introduction of the 30 Days Fitness challenge, an activity that challenged participants to incorporate exercises in their daily lifestyle by following a 30-day workout routine and also provided a healthy diet plan.

A conscious effort of the brand to reach a larger audience by not only limiting itself to above the line communication paid off. Three Crowns recorded an impressive fan base across their various social media pages, including the launch of their official website-[www.femininelounge.com](http://www.femininelounge.com), a one stop shop for tips on fitness and a healthy lifestyle in general.

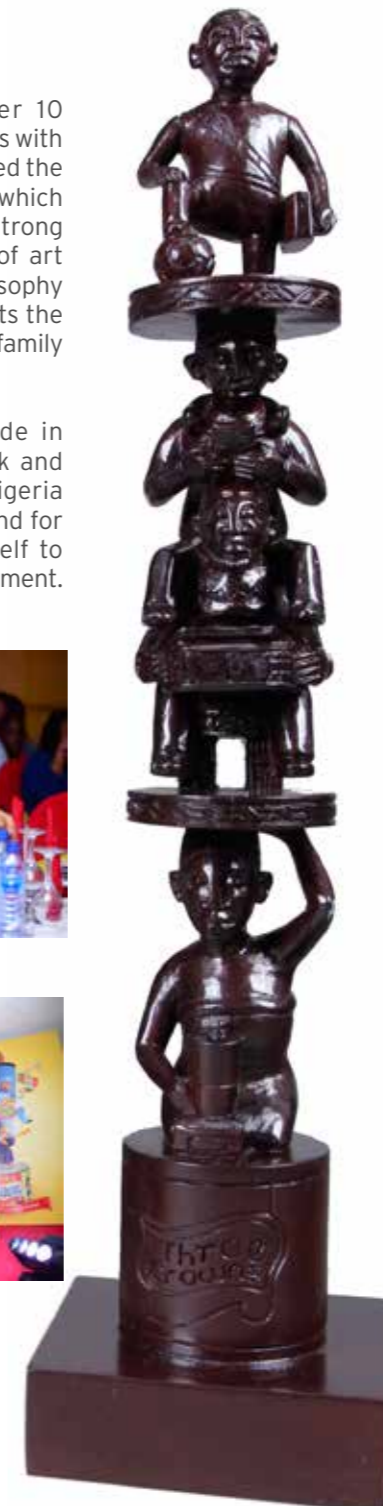
They also recorded a large number of participants in the Three Crowns 30days Fitness challenge that saw fans clamouring for a second season. It goes without saying that the brand's equity increased.

The brand grew penetration in both the Evap and Powder category despite the recession and also had an improvement in brand health indices.



Three Crowns also won over 10 National and International awards with its magnificent piece of art named the Three Crowns pillar of support which depicts - “A Family is only as Strong as Its Base”. A creative piece of art that further reiterates the philosophy of the brand as one that supports the mother in her efforts to keep the family together.

Three Crowns Milk takes pride in the fact that it is the first milk and by extension diary brand in Nigeria that positioned itself as the brand for mothers and has dedicated itself to ensuring they stay fit in every moment.



Three Crowns mum of the year



# PECADOMO – PEak CAn DO MOre



Reach for your Peak by doing more with Peak

In 2016, Peak Milk launched a **Sweet Mother** Campaign to appreciate and show love to mothers for being a great source of inspiration, guide to the best nutrition and providers of the quality nourishment to millions of families all over Nigeria, from generation to generation. The campaign commenced with the introduction of the 'Sweet Mother' packs with special call-outs such as 'Love you', 'Thank you'; and 'Sweet Mother'.

June 1st is commemorated as the **World Milk Day** to recognise the importance of milk as a global food. Peak Milk, being the highest quality milk brand in Nigeria, tagged the event '**Art of Milk**' to showcase the versatility of Peak Milk in everyday food. This was done in Secondary Schools across Lagos State.



**Ramadan** is a very special moment to our faithful Muslim brothers. It is a time to purify the body and soul with the best of spiritual and physical nourishment. Peak ties into this period to provide Muslim consumers with the best of nourishment - with an integrated campaign emphasizing the essence of nourishing the body with the best; which is Peak Milk.

As the leader in innovation and quality standards, Peak Milk launched a versatility campaign tagged **PeCaDoMo**, an acronym for PEak CAn Do More. This was aimed to reveal the multiple, unconventional uses of Peak Milk in food, creating new and better consumer experiences.

Foods like Eba and Peak, Semo and Milk, Scrambled eggs and Milk, Smoothies with a range of Peak Milk and Peak Choco were revealed to Nigerians across multiple consumer touch points, providing consumers with recipe booklets, cooking videos and images as well as cooking activations. This ran predominantly on-line, using Facebook and YouTube as lead media.

The campaign started a wave of buzz online achieving over 130 million google impressions, over 1.1 million views on all video materials, reaching over 18 million people. Consumers are beginning to design their own recipes and sharing on Peak's social media pages, creating a PeCaDoMo community where recipes, nutritional values and culinary tips are shared.

It's been a positive year for Peak with the PeCaDoMo Campaign which has become a trend setter in the industry.



Peak Milk emerged winner after a rigorous research survey conducted in Nigeria between October and November, 2016 by the International Certification Association, a Swiss based organization (ICERTIAS). ICERTIAS with Quality meDAL (QUDAL)

The survey measured the experience and level of satisfaction expressed by surveyed participants with the quality of marketed products and services. The survey report revealed that majority of those surveyed answered Peak milk. This, it explained was a further affirmation that Peak has established a distinctive customer experience resulting in majority of consumers choosing the brand over other brands.





# talent development



Young professionals programmes

FrieslandCampina WAMCO in alignment with global vision 2020 of attracting talents and strengthening its talent pipeline recruited eight young talents into the Young Professionals Programme. This fast track programme was initiated primarily to bring in talents with under three years experience and masters/professional qualification from recognized institutions who can grow into senior roles in the nearest future.

The nine months developmental programme, kicked off in September 2016 and ran in 4 phases: company-wide induction programme, immersion at the dairy

development sites, field sales experience and technical work involvement, each with its own project execution.

Here are comments from some of the Young Professionals:

“For me, the YPP initiative has broadened my horizon in diverse areas of FrieslandCampina. It is a platform for learning, where our dreams of yesterday can become our realities of today. A more global perspective would also go a long way to enhance our learning and application”  
*Samuel Omope*

“It has been an insightful programme that enlightened my knowledge about the operations of FCWAMCO and the dairy industry in Nigeria. It has also equipped me with useful and transferable skill sets for this fast-paced sector”  
*Chioma Igwe*

“The Young Professionals Programme for me has proven to be valuable in terms of exposure and knowledge. The various components of the programme have been insightful and enlightening. I would recommend provision of essential support and guidance for the Young professionals”  
*Ikepo Duggan*

“It has been a positive experience from the very beginning. I am very fortunate to have a very hands-on line manager, to be working with a friendly and supportive team and more importantly, to be given a great deal of responsibility in my field of interest. I learn something new every day and I am truly contributing to the company”  
*Fiyin Awosoga*

“The Young Professionals programme so far has been great. I appreciate the company-wide induction which included DDP operations, and this induction process gives critical perspective on how things work in FCWAMCO. The Programme in general has been an everyday learning experience and I look forward to sharing experiences and values with FCWAMCO during my stay here”  
*Aliu Bisiriyu*



FrieslandCampina WAMCO is a learning and agile organization that believes in nurturing talent to give the organization a competitive edge.

One of the pillars of our people strategy therefore focuses on Talent management- attracting and recruiting top talents and building capabilities of employees to deliver on strategic business objectives. In 2016, over fifty workshops were conducted in both Condensed & Powder plants under the auspices of continuous improvement. Three employees were sent on expatriation for Short Time Assignments (STA) in Amersfoort, The Netherlands while another continued on a Long Term Assignment (LTA) in Ivory Coast.

Overall, 266,785 training hours was recorded in 2016 considering in-house and external learnings. There were learning interventions in form of coaching, mentoring and One-on-One feedback sessions across all functions within the business.



Vice President Prof. Yemi Osinbajo SAN GCON (right) and Minister of Labour and Productivity, Sen Chris Ngige (left ) presenting the NPOM award to Mr. Tominiyi Oni, Human Resources Director

## FCWAMCO receives prestigious national productivity order of merit award

The Federal Government of Nigeria, through the Ministry of Labour and Productivity, conferred the 2016 National Productivity Order of Merit Award on 15 deserving individuals and six organizations in Abuja with FrieslandCampina WAMCO Nigeria PLC being one of the six deserving organizations.

Human Resource Director, Tominiyi Oni, received the award on behalf of the company at the National Productivity Day (NPD)/ and Conferment of National Productivity Order of Merit (NPOM) Award Ceremony held at the Conference Hall, Nicon Luxury Hotel Abuja.

The National Productivity Day is aimed at institutionalizing productivity consciousness and excellence in service among workers and organizations in both public and private sectors in Nigeria by emphasizing hard work, high performance, efficiency, discipline, dedication, humility and patriotism.



Vice President Prof. Yemi Osinbajo SAN GCON visits Peak stand at the National Productivity Day.

## International Women's Day Celebration

FrieslandCampina recognizes that gender inclusion is important for its operations. This is why it identifies with the International Women's Day (March 8), a day set apart globally to celebrate social, economic, cultural and political achievements of women.

FrieslandCampina WAMCO celebrated the day to demonstrate its recognition of diversity and inclusiveness. We believe that through diversity we are able to make

better business decisions and deliver more elaborate response to our consumers.

Improving gender diversity is a priority for the company. For this reason, the Company's Management has put in place various policies and initiatives to increase the percentage of women in leadership positions and general workforce and provide support for working mothers.



## w-com reloaded



2016 was a great year for the company's operations! In support of the company's 3year strategy, FCWAMCO embarked on a journey of achieving Operational Excellence using the world class operations management approach. The WCOM approach provides a holistic and sustainable approach to driving efficiency and making tangible improvements in a structured way and in phases/cycles.

In collaboration with the business group support team, the first cycle started in January 2016 with a boot camp where over 35 employees were trained and deployed to the different focus areas: Evap. factory work stream, Powder work stream, Management infrastructure/mind-set and behaviour work stream. The team embarked on a deep dive expedition observing, gathering and analysing data, facilitating design workshops and series of employee surveys. Key achievements from cycle one were improvements on the JBT machines, material loss reductions, installation of short interval controls, design and installation of frame of reference for meetings and upgrading of the performance management culture in the plant. These improvements embedded with the company's triple A values were transferred to the plants through a series of transformation points enabling the employees on the shop floor to take full ownership of all that has been achieved.

With the energy from the success of cycle one and reduced business group support, we expanded the scope of our deliverables in cycle two to include the

Can factory. Achievements here include clean out of machines and 5S deployment, operational instructions, labour optimization, installation of a process confirmation system, development and training of employees on operational instructions, design of a skills management system and further building of capabilities in a structured way. Knowing the critical role of leadership, we started the Leading Performance training for plant leaders. The focus of this initiative is to build leadership capabilities of all team leads in the plant, coaching them on all the key competencies required to boost performance on the plant. By the end of cycle two, the company achieved savings of 0.8 million euros (25% above plan). Overall engagement and capabilities of work stream lead and members had increased heavily to a level where they could plan and execute independently. The knowledge, skills and standard way of working required to execute a world class operations management agenda has been successfully transferred!

Cycle three boot camp was therefore led and facilitated hundred percent by the Site change lead and work stream leads who are FCWAMCO employees. With the maintenance, management infrastructure/mind-set and behaviour work streams fully embedded in the Evap. and Powder work streams, approach for the cycle is to consolidate and sustain all the gains from previous cycles, embed the leading performance principles in all team leads while transferring learnings and new way of working across all cadres within the plant.

## new finished goods warehouse



On Tuesday, 26 January 2016, FrieslandCampina WAMCO commissioned its Finished Goods Warehouse.

Guided by compliance to global best practice in Food Safety and Quality regulations, the new finished goods warehouse features a capacity of over 14,000 pallet positions and is executed with LED lights which avail brighter surroundings and align the Company with environmental Green Goals.

The ultra-modern facility sits on a 3.5 acre property and contains in-built offices for warehouse managers and storekeepers, which allows for closer contact, ensures easier control and enables effortless access among staff. The system cuts down logistics and avails a structured first-in-first-out process, which reduces significantly, storage-related errors.

The construction of this state-of-the-art facility means that FrieslandCampina WAMCO has further improved the demands of its distribution process and is better prepared to ensure the accessibility of its products and commitment of nourishing Nigerians with quality dairy nutrition.







**"...because  
I have  
my own  
milk"**

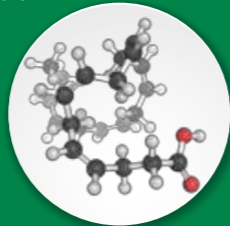
I have the opportunity to discover the endless possibilities that milk has to offer me, especially access to quality nutrition to kickstart the day on the right note.



# 90% of brain growth occurs in the first 5 years of life and this is a critical window of opportunity to maximise a child's learning potential<sup>1,2</sup>

Certain key nutrients like **DHA (docosahexaenoic acid)** play a very important role during this time. **DHA** is an omega-3 fatty acid found in the brain and the eye. It supports a child's developmental milestones such as:<sup>3,4</sup>

- Motor skills
- Speech
- Learning and thinking
- Visual development



Children need a minimum of 100 mg of **DHA** per day.<sup>5\*</sup> Do you know that most children do not get sufficient **DHA** from their diet?

The approximate amount of **DHA** a child gets each day from an average diet

Bread/Cereal	0 mg <b>DHA</b>
Serving of egg	14 mg <b>DHA</b>
Bowl of rice	0 mg <b>DHA</b>
Bowl of vegetables	0 mg <b>DHA</b>
Tuna fish	41 mg <b>DHA</b>
Chicken	21 mg <b>DHA</b>
<b>Total</b>	<b>76 mg DHA</b>

**INSUFFICIENT**

\* For older children, n-3 PUFA intake should be 250 mg per day.

Peak 456 growing up milk is specially formulated for children 4-6 years of age, with **DHA** and other key nutrients crucial for their continuing brain development and physical growth.

Support a child's physical and mental development with Peak 456 today!



References:  
 1. Berk LE. Physical development in early childhood. In: Infants and children: Prenatal through middle childhood. 6th edition. Pearson, 2007. 2. Science of Early Childhood Development. Shonkoff JP, Phillips DA, ed. From neurons to neighborhoods: the science of early childhood development. National Academy Press, 2000. 3. Innis SM. Dietary (n-3) fatty acids and brain development. *J Nutrition*. 2007;137:855-859. 4. Georgieff MK. Nutrition and the developing brain: nutrient priorities and measurement. *Am J Clin Nutr*. 2007;85(suppl):614S-620S. 5. European Food Safety Authority. Scientific opinion on dietary reference values for fats, including saturated fatty acids, polyunsaturated fatty acids, monounsaturated fatty acids, trans fatty acids, and cholesterol. *EFSA Journal*. 2010;8(3):1461.



## proxy form

44th Annual General Meeting to be held at the Shell Hall, Muson Center, 8/9, Marina, Onikan, Lagos, on Thursday, 18 May, 2017 at 11.00 a.m.

I/We\*.....

being a member/members of FrieslandCampina WAMCO Nigeria Plc

hereby appoint\*\* .....

of .....  
 or failing him the Chairman of the Meeting as my/our Proxy to act and vote for me/us and act on my/our behalf at the Annual General Meeting of the Company to be held on 18 May, 2017 and at any adjournment thereof.

Dated this.....day of.....2017.

Signature.....

\*Delete as necessary

Resolutions	No. of Shares		
	For	Against	Withheld
To declare a final Dividend			
To re-elect as Director, Mr. Peter Eshilkena			
To re-elect as Director, Rev. Isaac Adefemi Agoye			
To elect as Director, Mr. Bernard Cheruiyot Langat			
To elect as Director, Mr. Roel van Neerbos			
To authorise the Directors to fix the remuneration of the Auditors			
To elect members of the Audit Committee			
To approve the remuneration of the Directors			

Please indicate with an 'x' in the appropriate box how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

### NOTE:

- i. This Proxy Form should be completed, duly signed and stamped by the Commissioner of Stamp Duties and should be deposited with the Registrars, First Registrars & Investor Services, Plot 2, Abebe Village Road, Iganmu, Lagos not later than 48hours before the time for holding the meeting.
- ii. This Proxy Form should NOT be completed and sent to the Registrars if the member will be attending the meeting.
- iii. In the case of joint Shareholders, any of such may complete the form, but the names of all joint Shareholders must be stated.
- iv. If executed by a corporation, this form must be sealed with its common seal
- v. \*\*Provision has been made on this form for the Chairman of the Meeting to act as your proxy, but if you wish, you may insert in the blank space the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman.



## admission slip

44th Annual General Meeting to be held at the Shell Hall, Muson Center, 8/9, Marina, Onikan, Lagos, on Thursday, 18 May, 2017 at 11.00 a.m.

Name of shareholder \_\_\_\_\_ Number of shares held \_\_\_\_\_

Name of person attending \_\_\_\_\_ Signature \_\_\_\_\_

IMPORTANT

This admission slip must be produced by the shareholder or his Proxy who need not be a member of the company, to gain entrance to the Annual General Meeting.

Shareholders or their Proxies are requested to sign the admission slip before attending the meeting.





1. Complete, sign and date the form
2. Fill out all compulsory(\*) fields
3. Fill in CAPITAL LETTER

## E-PRODUCTS

## notes

### E-PRODUCTS ACTIVATION FORM

You need not worry about the safety of your shares anymore, simply stay aboard with our e-Products and services.

**E-SHARE NOTIFIER** SMS alerts on transactions that occur on your share account (AGM & EGM, Dividend Payments, Bonuses, Debits/ Credits etc.)

**ONLINE-ACCESS** Online access to your share account statements. You can view and print your account statement, make change of address and access dividend info etc.

**M-ACCESS** Smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts N20/SMS by network operator

#### Instruction

Please fill the form and return to the address below:

#### The Registrar,

First Registrars & Investor Services Ltd.  
2, Abebe Village Road, Iganmu  
P. M. B. 12692 Lagos, Nigeria.

#### Shareholder Account Information

Surname\* First Name\* Other Names

Address Line 1\*

Address Line 2

City State\* Country

GSM No (Mobile)\* GSM No (Telephone)\*

Email Address\*

Signature(s)\* Corporate stamp/Seal\*



#### Charges:

Individual: ₦1000 per annum/product

Corporate Bodies: ₦2000 per annum/product

Please tick() the product(s) you are activating

All payments should be made into each product's account number respectively:

E-Share Notifier activation Account No. 2013302579

Online access activation Account No. 2013798370

M-access activation Account No. 2011760908

in any First Bank branch nationwide and a copy of the payment slip attached to this form upon submission.

TICK	NAME OF COMPANY	ACCOUNT NO.
	ABC TRANSPORT PLC	
	ACAP CANARY GROWTH FUND	
	AFRICAN DEVELOPMENT BANK BOND	
	AFRICAN PAINTS PLC	
	ANCHOR FUND	
	ARM AGGRESSIVE GROWTH FUND	
	ARM DISCOVERY FUND	
	ARM ETHICAL FUND	
	ASO- SAVINGS AND LOANS PLC	
	AUSTIN LAZ AND COMPANY PLC	
	BANK PHB PLC (NOW KEYSTONE BANK LIMITED)	
	BAYELSA STATE BOND	
	BCN PLC-MARKETING COMPANY	
	BEDROCK FUND	
	CADBURY NIGERIA PLC	
	CHAMS PLC	
	COSTAIN WEST AFRICA PLC	
	CROSS RIVERS STATE BOND	
	DAAR COMMUNICATIONS PLC	
	DEAP CAPITAL MANAGEMENT & TRUST PLC	
	DELTA STATE GOVT BOND	
	DV BALANCED FUND	
	EDO STATE BOND	
	FAMAD NIGERIA PLC	
	FBN FIXED INCOME FUND	
	FBN HERITAGE FUND	
	FBN HOLDINGS PLC	
	FBN MONEY MARKET FUND	
	FIDELITY BANK PLC	
	FIDELITY BOND	
	FIDELTY NIGFUND (INCOME & ACCUMULATED)	
	FORTIS MICROFINANCE BANK PLC	
	FRIESLANDCAMPINA WAMCO NIGERIA PLC	
	HALDANE MCCALL REIT	
	HONEYWELL FLOUR MILLS PLC	
	JULI PLC	
	KAKAWA GUARANTEED INCOME FUND	
	LAGOS STATE BOND SERIES 2	
	LEARN AFRICA PLC	
	NIGERIA POLICE MORTGAGE BANK PLC	
	NIGERIAN BREWERIES PLC	
	OANDO PLC	
	ONDO STATE BOND	
	OYO STATE BOND	
	PARTNERSHIP INVESTMENT CO.PLC	
	PRESCO PLC	
	PRESTIGE ASSURANCE PLC	
	PZ-CUSSONS NIGERIA PLC	
	RAK UNITY PETROLEUM PLC	
	REDEEMED GLOBAL MEDIA COMPANY	
	SIM CAPITAL ALLIANCE VALUE FUND	
	STACO INSURANCE PLC	
	STANBIC IBTC BALANCED FUND	
	STANBIC IBTC BALANCED FUND	
	STANBIC IBTC BANK PLC FLOATING RATE& FIXED RATE SUBORDINATED UNSECURED NOTES	
	STANBIC IBTC BOND FUND	
	STANBIC IBTC ETF 30 FUND	
	STANBIC IBTC ETHICAL FUND	
	STANBIC IBTC GUARANTEED INCOME FUND	
	STANBIC IBTC HOLDINGS PLC	
	STANBIC IBTC MONEY MARKET FUND	
	STANBIC IBTC NIGERIAN EQUITY FUND	
	STANDARD ALLIANCE INSURANCE PLC	
	STARCOMMS PLC	
	UBA FIXED RATE SUBORDINATED UNSECURED NOTES	
	UNION DIAGNOSTIC AND CLINICAL SERVICES PLC	
	UPDC REITS	
	WEST AFRICAN ALUMINIUM PRODUCTS (WAAP)	
	ZAMFARA STATE BONDS	





# There is nothing better than the right start



Plot 7b, Acme Road, Ogba Industrial Estate, Ogba  
P.M.B. 21319, Ikeja, Lagos, Nigeria  
t +234 (0)1 271 5100  
t +234 (0)1 271 5116  
info.wamco@frieslandcampina.com

[www.frieslandcampina.com.ng](http://www.frieslandcampina.com.ng)