FrieslandCampina

FrieslandCampina WAMCO Nigeria PLC

Annual Report 2018

Peak
SINCE 1954

NEW

Peak Instant Tea Mix

Just Add Hot Water

Contents

General

4	Financial highlights
8	Notice of Annual General Meeting
9	Chairman's Statement
12	Board of Directors' profile
18	Management Team profile

Report and financial statements

26	Directors and other corporate information
27	Report of the Directors
38	Corporate Governance
39	Corporate Sustainability & Responsibility
40	Statement of Directors' responsibilities
44	Report of the Audit Committee
45	Independent Auditor's Report

It Starts from the Farm...

"It is good to be able to build on the experience of a leading dairy enterprise such as FrieslandCampina to provide quality nutrition for Nigerians,"

– Nigerian dairy farmer Moyosore Olatunde Rafiu

49	Statement of financial position
50	Statement of profit or loss and other comprehensive income
51	Statement of changes in equity
52	Statement of cash flows
53	Notes to the financial statements
95	Other national disclosures
98	Other Company activities
116	Corporate directory
117	Proxy form
119	E-Dividend activation form
120	E-Products activation form

Financial highlights

	2018 ₦'000	2017 ₦'000
149,159 million naira Revenue up by 6.48%	149,158,788	140,076,525
16,312 million naira Profit before income tax up by 2.69%	16,312,453	15,885,363
11,753 million naira Profit for the year down by 2.19%	11,753,002	12,015,933
488,168 thousand naira Share capital	488,168	488,168
20,710 million naira Total equity up by 11.24%	20,710,464	18,618,524

Per share data

	2018	2017	% Increase/ (Decrease)
Number of 50k ordinary shares	976,335,936	976,335,936	-
Basic earnings	12.04	12.31	(2.2)
Interim dividend paid	2.91	2.20	32.3
Final dividend proposed	6.36	7.02	(9.4)
Number of employees	707	679	4.1

OUR PURPOSE
Our Plan

Our Purpose Our Plan

FrieslandCampina determines its strategic objectives on the basis of its purpose, *nourishing by nature* which stands for better nutrition for the world's consumers, a good living for our farmers, now and for generations to come. In 2018, the strategy was refined and set out in *Our Purpose, Our Plan*.

The strategy is founded on the following four core themes:

Win with nutrition

Producing good and healthy dairy products is at the core of who we are and what we do. We have a unique grass to glass proposition for our customers and consumers.

- Infant & toddler nutrition in China, Hong Kong and South-East Asia.
- Healthy ageing and performance & lifestyle nutrition.
- Ingredients for early life and adult nutrition.

Serve the 24/7 consumer and customer

We are committed to serving customers and consumers anytime and anywhere: this means having the right product at the right time, in the right location for the right price.

- Commercial rigour and digital agility.
- Foodservice and global accounts.

Lead with sustainability

FrieslandCampina and its member farmers aspire to build a leading position in sustainability and set the standard for the dairy industry. We will invest more in the brands that are in line with purpose.

- Foster nourishing by nature-brands
- Drive the integrated sustainability agenda

Elevate our essentials

We will make a step change in our approach towards essential dairy products. We will build profitable branded cheese positions to shift milk away from unprofitable products. We will also increase our milk processing flexibility to ensure the best possible return.

- Foster nourishing by nature-brands
- Drive the integrated sustainability agenda

Our Purpose, Our Plan has supporting programmes for becoming a success. What do we need?

- Accelerate innovation - be the first to address customer and consumer needs, focusing on nutrition with new ways of working.
- Unlock Supply Chain - with your input we will further improve our performance, cost and agility.
- Create a winning organisation through our purpose, performance, and people.
- Focus on spend - reduce our costs where possible, for example through the FORCE programme.
- Drive digital - offer digitally enhanced consumer and customer experiences.
- Leverage partnerships and M&A - we are open to exploring opportunities in line with our strategic priorities.

We retain our foundations. What will we build on?

- Safety and quality are and will remain the basis of all we do. Our safety and the quality of our products are of paramount importance today and in the future.
- Compass, our guide in fair business, respectful behaviour towards each other and transparency, stands for our reputation. Compass is a permanent foundation.
- We embed our WIN-WIN mindset in the implementation of the strategy: Purpose-Driven, Commercially Obsessed and with an Owner's Mindset.


UP

Peak 456 is your child's **Specialised Nutrition**

The recommended daily allowance for children is significantly different from that of an adult. This is because your child has very specific nutritional needs as his brain and body are experiencing rapid growth. For instance, 90% of brain growth occurs between birth and your child's 5th birthday. During this critical period, the role of early nutrition in helping to build the foundation of a child's ability to grow, learn & thrive cannot be overemphasized.

Peak 456 is specially formulated for children between the ages of 4 and 6 years to support their continuing brain development and promote physical growth. It contains a unique nutrient mix with DHA which influences developmental milestones such as motor skills, speech, visual development, learning, and thinking. It also contains other essential vitamins and minerals needed for immunity, physical development, and mental development.

When your child curiously asks why he needs Peak 456 growing up milk, you can aptly answer that Peak 456 meets his unique nutritional needs thereby helping him grow strong and smart so he can explore.

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of FrieslandCampina WAMCO Nigeria PLC will be held at the Shell Hall, MUSON Centre, Onikan, Lagos on Thursday, 20 June 2019 at 11.00am to transact the following business:

Ordinary business

1. To receive the Report of the Directors and the Audited Financial Statements for the year ended 31 December, 2018 together with the reports of the Auditors and Audit Committee.
2. To declare a final dividend.
3. To 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

Olubukunola Olateru FCIS **(Mrs.)**
FRC/2018/ICSAN/00000017968
Company Secretary/Legal Adviser
Lagos, Nigeria

Dated this 14th day of May 2019.

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, it will be paid electronically on Friday, 21 June 2019 to shareholders whose names are registered in the Company's Register of Members at the close of business on Wednesday, 12 June 2019 and who have completed the e-dividend registration and mandated the Registrar to pay their dividends directly into their bank accounts in compliance with the directives of Securities and Exchange Commission.

3. Closure of register

Notice is hereby given that the Register of Members and Transfer Books of the Company will be closed from Thursday, 13 June 2019 to Monday 17 June 2019, both dates inclusive, to enable the Registrars to prepare for the payment of dividend.

4. Nominations for the Audit Committee

The Audit Committee consists of three (3) Shareholders and three (3) Directors. 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 election as a member of the Audit Committee by giving in writing notice of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

5. Unclaimed dividend

Several dividend warrants remain unclaimed or are yet to be presented for payment or returned to the Company for revalidation by some members. A list of such members will be circulated with the Annual Report and Financial Statements. Members affected are advised to complete the e-dividend registration or write to or call at the 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, stock broking accounts and CSCS accounts for the payment of dividend. A detachable application form for e-dividend is attached to the Company's Annual Report to enable all shareholders furnish particulars of their accounts to the Registrars (First Registrars & Investor Services Limited) as soon as possible. We request our shareholders to use the e-dividend payment portal that will serve as an online verification and communication medium for e-dividend mandate processing through the new E- Dividend Mandate Management System jointly introduced by the Central Bank of Nigeria, Securities and Exchange Commission, Nigeria Inter-Bank Settlement Systems PLC and the Institute of Capital Market Registrars.

7. Rights of Shareholders to ask questions

Shareholders have a right to ask questions not only at the meeting, but also in writing prior to the meeting, and such questions should be addressed to the Company Secretary and submitted to the registered office of the Company at least a week before the meeting.

CHAIRMAN'S STATEMENT

MR. JACOBS MOYO AJEKIGBE, OFR
CHAIRMAN

Distinguished shareholders, fellow Board members, representatives of regulatory agencies, ladies and gentlemen, it is with great pleasure that I welcome you all to the 46th Annual General Meeting of our Company. I am equally honoured to present to you the Annual Report and Financial Statements of our Company for the year ended 31 December 2018.

Economic and Business Environment

The Nigerian economy performed better in 2018 when compared with the previous year. According to the National Bureau of Statistics, the economy expanded by 1.93% in 2018, higher than 0.82% recorded in 2017. This growth was largely driven by the non-oil sector, particularly the agricultural sector, which recorded a growth of 2.12%. Growth in the oil sector was hampered by lower output volume even with the increase in oil prices during the year which rose as high as $79.4 per barrel in the middle of 2018.

Foreign Exchange rates were relatively stable for most of the year until quarter 4 when availability at the Central Bank of Nigeria (CBN) retail window began to diminish due to reduced interventions by the CBN. This situation led to increased sourcing at the Investor & Exporter window, thus, driving up input costs for companies whose operations depended on imports and high Foreign Exchange requirements.

Inflation rate remained in double digits at the end of 2018. There was, however, a drop from 15.4% in 2017 to 11.4% in 2018. This drop was largely driven by monetary policy tightening and the stability of Foreign Exchange rates.

Businesses continued to grapple with significant infrastructural deficits in the areas of power supply, bad roads and port congestion, which resulted in high cost of production. Insecurity across the country, particularly in the North East where there was increased insurgency by Boko Haram and in the Middle Belt where there were protracted crises between farmers and herdsmen, impacted commercial activities for most of the year, leading to low farm output and disruptions in general business activities in the affected areas.

Furthermore, the business environment witnessed low consumer spend due to an increase in the rate of unemployment which peaked at 23% as at quarter 3 2018, with workers being owed salary arrears of many months in several states and local governments across the country. As a result, consumers were more prudent in their choices, with increased awareness of value and affordability. Many continued to down-trade to cheaper options and low unit portion packs.

Operating Results and Performance

The Company's commercial and financial performance showed some improvement compared to the previous year inspite of the tough operating environment. Turnover increased by 6% in 2018 to ₦149.1billion from ₦140.1billion in 2017 and Profit Before Income Tax increased by 2.69% to ₦16.3 billion from ₦15.8 billion reported for the previous year.

The Company fully recovered from the fire incident that occurred in January 2017 leading to increased output in our factory. Cost of sales increased by 5.8% from ₦111.9billion in 2017 to ₦118.4billion in 2018, reflecting high milk prices compared to the previous year, higher costs of barging, demurrage and transportation due to port congestion and bad roads from Apapa. However, as a result of higher tax expenses in 2018, profit for the year declined by 2.19% to ₦11.8billion from the 2017 figure of ₦12.0billion.

Net interest cost was higher as interest income reduced due to lower deposit investments. Improved Foreign Exchange availability to pay obligations led to a reduction in the amount of cash available for such investments. Despite these challenges, the Company was able to keep its operating overhead at par with the previous year at ₦5.4billion through the introduction of the Focus On Reducing Costs Everywhere (FORCE) initiative.

The Company invested more in its brands and route-to-market infrastructure in order to take products closer to consumers across the country by significantly increasing its regional structure.

Overall, the Company performed creditably in 2018 and delivered impressive volumes in the course of the financial year through its brands. The result reflects a solid business and the strength of our operations. The Board and management will continue to monitor the business environment and make necessary adjustments to sustain the positive growth momentum into the future.

Dividend

The Company's policy is to pay 75% 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. For 2018, the Board is recommending a dividend payout of 77% of PAT or ₦9.27 per ₦0.50 share. An interim dividend of ₦2.91 per ₦0.50 share was paid in October 2018; and a final dividend of ₦6.36 per ₦0.50 share is recommended for your approval. If the proposed final dividend is approved, the final dividend less withholding tax at the appropriate rate will become payable on 21 June 2019.

Once again, the Board wishes to reiterate the drive for the implementation of electronic dividend and electronic bonus payment system in line with the regulatory direction of the Securities and Exchange Commission (SEC) to eradicate the incidence of unclaimed dividend. Shareholders are requested to complete the e-dividend /e-bonus Application form in the Annual report and submit the completed forms to the Registrar, First Registrars and Investor Services Limited.

Developing Local Content

In 2018 our Company achieved laudable milestones in its efforts to expand its Dairy Development Programme. Some of the recorded milestones include additional milk collection centres to support increased raw milk usage in the manufacturing of our products, including the new Peak yoghurt, investment in milk trucks and farm machinery to support milk collection and the small holder dairy farms.

In addition, the Company developed four (4) pilot master farms with 5 hectares of pasture (feed and fodder) to serve as model to other dairy farmers in its drive to revolutionize dairy farming in Nigeria.

Crossbreeding programmes were also introduced and implemented to improve farm productivity, while extension and training on various topics were also carried out throughout the year.
Local content in materials and services also increased by more than 100% in 2018 when compared with the 2017 level.

Corporate Social Responsibility

Our Company is committed to efforts aligned to solving issues of malnutrition and ensuring reduction of prevalent non-communicable diseases by increasing access to quality dairy nutrition. This is illustrated with just two examples here, with details of other initiatives included in the main body of this report.

In 2018, we partnered with the Nigerian Red Cross Society to provide quality nutrition to Internally Displaced Persons in Durumi camp, Abuja, with each child receiving a daily serving of highly fortified and nutritious Peak milk from the month of September to December.

In addition, our employees engaged at various community levels on the goodness of milk and FrieslandCampina's purpose of providing better nutrition, including reaching out to the Beth Torrey Home for the Mentally Handicapped persons in Zaria, Kaduna by supporting the home with renovations and resource contribution by staff volunteers.

Human Resource Development

FrieslandCampina WAMCO Nigeria PLC remains one of the best places to work in Nigeria. The commendable performance of the Company despite the difficult environment was made possible by our most valued asset, our employees, who continue to diligently serve and deliver on the business objectives.

We work together to ensure success for both employees and the Company by constantly ensuring a conducive and winning work environment for our employees.

Outlook 2019

The rate of economic recovery and decrease in unemployment rate will determine the level of disposable income and behaviors of our end consumers in the coming months. Forecast on GDP growth is in the region of 2.3% in 2019 as the implementation of the economic recovery and growth plan gains pace, coupled with expected result of the marked improvement in Nigeria's ranking in the Ease of Doing Business index as published by the World Bank.

FrieslandCampina WAMCO Nigeria PLC remains positive and confident about the future of our Company. We are assured that our brands, which are leading in the market segment, will continue to grow. We will sustain the current initiatives that have proven to be effective and develop innovation that consolidates our market leadership to meet the "24/7" needs of our customers and consumers.

Also, the Federal Government's increased spending on infrastructural projects across the country is expected to have positive effects in areas of power, roads and port services for businesses.

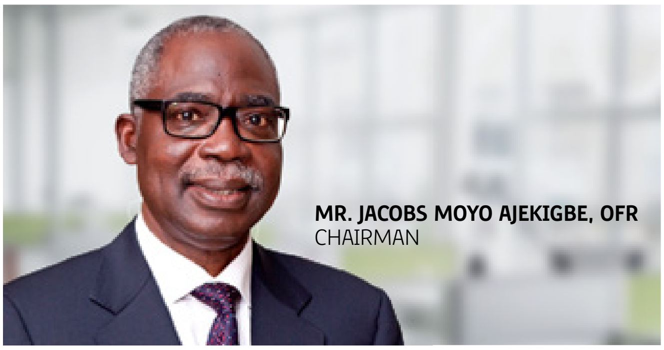
Acknowledgements

In realization that the success of 2018 was the result of concerted efforts from various stakeholders, I would like to thank my colleagues on the Board and members of the Management Team for their valuable insight, counsel and teamwork during the last financial year. Special acknowledgement goes to our consumers who have remained consistent as they make their decision to buy and consume our products on a daily basis, and to our customers for their confidence in our products and the Company. I would like to thank all our employees for their passion, hard work and dedication, and our suppliers, financiers and other business partners for their commitment to our business ambition.

Thank you dear shareholders, ladies and gentlemen.

J.M. Ajekigbe, OFR
Chairman

Board of Directors' profile



Mr Ajekigbe 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; an MBA degree from the University of Lagos; and an MA degree in Global Affairs from the University of Buckingham, UK. He has also attended a number of post experience courses in Nigeria and overseas.

Mr Ajekigbe, formerly Managing Director/Chief Executive Officer of First Bank of Nigeria Plc, also served as Chairman of the Board of Directors of Keystone Bank Limited. He was Chairman of the Board of Directors of FBN (Merchant Bankers) Ltd and Kakawa Discount House Ltd. He was a member of the Board 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 a member of the Governing Council of the Institute of Directors Nigeria where he also serves as Chairman of the Director Development Committee. He is the Chairman of the Board of Opticom Leasing Company Ltd, and a member of the Board of Nycil Limited. He is a Fellow of the Chartered Institute of Bankers and a Distinguished Fellow of the Institute of Directors.

Mr. Bernard Langat is the Managing Director of FrieslandCampina WAMCO Nigeria PLC. He joined the Board as Managing Director on 13 March 2017. He has over 26 years experience acquired through working in leading multinationals including Unilever and Coca Cola before his current position. His last position was that of Managing Director, Nigerian Bottling Company Limited, Coca Cola Hellenic Bottling Company.

He has extensively worked across African Markets holding various senior management positions in Unilever Kenya, Malawi and Ghana respectively spanning a period of 16 years before joining Coca Cola Hellenic in 2009.

He is a past Vice President of the Association of Foods Beverage and Tobacco employers of Nigeria (AFBTE) and a current sitting Council Member of the Nigerian Employers Consultative Association (NECA).

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 undergone several senior leadership courses at IMD, Lausanne and other institutions. He is also a Certified Public Accountant of Kenya CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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 President of FrieslandCampina Consumer Dairy.

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 as Vice President Iberia EEMEA and Latin America. He was Marketing Director, Procter & Gamble, General Manager, Vice President Morocco & Babycare, Middle East/Africa. He served as Marketing Manager Pampers & Always, Punica, Holland, Brand Manager Dreft &Pampers, Holland.

Mr. Roel van Neerbos studied Business Administration and obtained a Master's Degree from Groningen University in The Netherlands.

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 (ICAN) and has attended several 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. He is a former Board Member of the National Bureau of Statistics of Nigeria and a former Vice President (Lagos Zone) of the Manufacturers Association of Nigeria (MAN). He is the Honourable National Treasurer of the association.

He is the General Overseer of The New Life Miracle Church.

Board of Directors' profile

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 both the world of education, publishing and marketing. She has a Bachelor of Education from Cambridge University and an MBA from 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.

Engineer 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.

Engineer 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.

Engr. Bello was in December 2017 appointed to the Board of Zenith Bank Plc as a 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 immediate past Managing Director of FrieslandCampina, Africa. He holds a Higher National Diploma in Mechanical Engineering from Yaba College of Technology, an 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. 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, GSK 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 currently the Chairman, Netherlands Agro, Food & Technology Centre. He 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-two years.

He holds a degree in Economics from HES Amsterdam (Academy for Economic Studies), subsequently followed various business courses amongst which Advanced Marketing from Harvard University and the Leadership Program at IMD Lausanne, Switzerland.

He has been recently delegated to the Ministry of Economic Affairs of the Netherlands to internationally lead the Agric. & Food top sector.

Mrs. Olubukunola Olateru was appointed as Secretary to the Board of Directors and Legal Adviser effective 1st August 2017. In this role, she is responsible for the company secretariat, legal advisory, property management, risk management, intellectual property, corporate governance framework and code of business conduct for the business entity in Nigeria. She joined FrieslandCampina WAMCO Nigeria PLC in May 2015 as the Legal Counsel.

She is a dynamic business lawyer, chartered secretary, board room expert and governance professional, who has gathered considerable professional experience in company secretarial, corporate governance and compliance, corporate law practice, legal advisory services and negotiating international business transactions.

Prior to her current role, she was Legal Counsel in Food Concepts Plc and Company Secretary, Free Range Farms Plc (a subsidiary of Food Concepts Plc). She has also worked in Guinness Nigeria Plc as Legal Associate and in private practice with Babalakin & Co. Legal Practitioners.

Olubukunola is a Fellow of the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN), a trained Arbitrator and Associate member of the Chartered Institute of Arbitration, UK (FCIArb) and a member of the Association of Company Secretaries and Legal Advisers in Manufacturing (ACSLA).


Peak
SINCE 1954
4-5-6
Smart Kids
Drink
Smart Milk
Specially formulated for kids between the ages of 4 to 6
to support brain development
Reach for your Peak

Management Team profile

Mr. Bernard Langat is the Managing Director of FrieslandCampina WAMCO Nigeria PLC. He joined the Board as Managing Director on 13 March 2017. He has over 26 years experience acquired through working in leading multinationals including Unilever and Coca Cola before his current position. His last position was that of Managing Director, Nigerian Bottling Company Limited, Coca Cola Hellenic Bottling Company.

He has extensively worked across African Markets holding various senior management positions in Unilever Kenya, Malawi and Ghana respectively spanning a period of 16 years before joining Coca Cola Hellenic in 2009.

He is a past Vice President of the Association of Foods Beverage and Tobacco employers of Nigeria (AFBTE) and a current sitting Council Member of the Nigerian Employers Consultative Association (NECA).

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 undergone several senior leadership courses at IMD, Lausanne and other institutions. He is also a Certified Public Accountant of Kenya CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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 a fellow of Professional Managers and Administrators of Nigeria as well as the Institute of Credit Administration (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 the 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.

Mr. Dirk Van Breen is the Director of Finance for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO as a member of the Management Team in April 2017.

Mr Van Breen holds a Master's Degree in Accounting and Control, as well as a Post-Master's Accountancy Degree from Vrije University Amsterdam and a Bachelor's Degree in Accountancy from Hogeschool Utrecht, He also attended business courses at IMD Business School, Lausanne, Switzerland.

Mr Van Breen joined FrieslandCampina, Amersfoort in 2013 as Corporate Procurement Controller, and became the Finance Director, FrieslandCampina Export, Wolvega in January, 2015.

Mr Van Breen started his career with Deloitte, where he worked for three years before assuming several financial positions with ING Ahold NV. which is a leading retailer in USA and Netherlands. He is an educated and experienced financial with significant experience in the FMCG category in Europe, USA and Africa.

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 is a seasoned professional vastly experienced in Government Relations, Public & Regulatory Affairs and Communication with proven track record spanning 23 years within the organisation.

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 (NIPR), Institute of Directors (IOD), National Institute of Marketing of Nigeria (NIMN) and Nutrition Society of Nigeria (NSN). Ore is an Associate member of Women in Management, Business & Public Services (WIMBIZ) and a Fellow of the WIMBOARD Institute, a WIMBIZ/IE University, Madrid Executive Education Programme for Women on Boards. She has attended several leadership courses in Nigeria and abroad at the Lagos Business School, IMD, Switzerland and IE Business School, Madrid.

Ore is a passionate business leader and a respectable woman of integrity who has pioneered several successful 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 Communication.

Management Team profile

Mrs. Zatur Hassim is the Specialised Nutrition Director at FrieslandCampina WAMCO Nigeria PLC. She joined FrieslandCampina in October 2013 as an International Medical Marketing Manager; a global category role in Singapore before being transferred to Nigeria in 2015 and was later appointed as a Specialised Nutrition Director in 2018.

Her career path has been quite eventful blending a wide range of experience spanning 18 years across field sales, training, brand management and marketing in various multinational companies like GlaxoSmithKline, Wyeth (Pharmaceuticals), Kimberly-Clark and FrieslandCampina. She particularly has extensive, practical and profound experience in the ASEAN Market across multiple product categories.

She is a visionary, transformational and astute leader with a passion for developing people and evidently growing leaders.

Notable amongst her impressive and admirable list of achievements in Nigeria is her knack for delivering brand & portfolio expansions, one of which is the launch of the first ever mainstream specialty formula in FrieslandCampina. Fondly called Eniola by her Nigerian colleagues, she is particularly admired for her commercial rigour.

Zatur Hassim holds a Bachelor degree in Biomedical Sciences from the prestigious National University of Malaysia. She has attended a good number of International Business and Leadership courses and trainings, most recent being "Leading to Succeed Programme" by Ashridge University, United Kingdom.

Mr. Chris Wulff-Caesar is the Marketing Director for FrieslandCampina WAMCO Nigeria PLC. He joined the management team in April 2018 and holds a BA (Honors) Degree in Economics from the University of Ghana and an MBA from the Edinburgh Business School of the Heriot Watt University in Scotland, United Kingdom.

He is a proven marketer, commercial operator and business leader with almost 20 years working experience in both local and international roles for ABInBev, SABMiller and Unilever. His career has seen him accrue a wealth of experience in managing the primary assets of these leading FMCG organizations i.e. brands and people.

Prior to his appointment to FrieslandCampina WAMCO, Chris was Marketing Director West Africa (Ghana & Nigeria) at ABInBev and member of the board of Accra Brewery Ltd in Ghana. During his tenure, he led the establishment of a formidable brand portfolio which transformed the markets to wrestle share away from incumbent competitors. Whilst at SABMiller, he also held the positions of Category Expansion/Innovation Manager for Africa based in Johannesburg (2010 -2012) and Marketing Director for Ghana (2007 – 2010).

Chris is an Associate member of the Advertising Practitioners Council of Nigeria (APCON). He is also involved with a few organizations which target the development and establishment of infrastructure for primary education in his home country and is a member of the Changing Lives Endowment Fund (CLEF) which is a non-profit organization set up to influence access to quality education for disadvantaged students.

Management Team profile

Mr Adekola Lamidi is the MAKE (Manufacturing) Director for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO in 2001, as a Management Trainee and since then functioned in several technical and management capacities in Nigeria, Abidjan and the Netherlands. Prior to joining the company, he worked as an Electrical/ Instrumentation Technician with Shell Petroleum Development Company.

He has attended several trainings and professional development courses across different countries, including US, Belgium, Netherlands, Spain, Vietnam, UK, Switzerland, Germany and Slovenia which has exposed him to International best practices and innovative ways of doing business. He has also received numerous commendations and awards for his outstanding contributions to business transformation and achievement of overall corporate objectives. He holds a Higher National Diploma in Physics with Electronics from Federal Polytechnic, Offa, a PGD in Electronics and Telecommunication from Federal University of Technology, Akure, an MSc in Electronic, University of Nigeria, Nsukka, Executive Masters in Project Management from Project Management College, UK and an MBA from Aston Business School, UK.

Lamidi is an active member of several professional bodies such as, Engineers in Ireland (UK & Ireland), Nigerian Society of Engineers, Nigerian Chartered Institute of Management (NIM), Institution of Electrical Engineers (IEE) UK and Nigerian Association of Technological Engineers (NATE). Lamidi is a high-performing leader; skilled strategist and collaborative relationship builder with remarkable records of driving continuous improvements; building top-notch multi-cultural teams; leading business expansion initiatives across countries; designing sustainable frameworks; implementing strategy into operations and delivering optimal business results.

Mr. Joel Ariori is the Customer Supply Chain Director for FrieslandCampina WAMCO Nigeria PLC. He joined FrieslandCampina WAMCO Management Team in April 2019. Mr. Ariori is a registered Electrical Engineer, with an Honours Degree from the Obafemi Awolowo University, Nigeria and Master's degree (MSc) from University of Lagos. He is a corporate member of the Nigerian Society of Engineers, and a COREN Registered Electrical Engineer.

Joel is a Supply Chain professional who has garnered over 20 years of experience working with multinationals including WAPCO (now Lafarge), Unilever, Coca-Cola Hellenic Nigeria in various end to end Supply Chain capacities such as Engineering; Project Management; Plant Management; Logistics; Strategic & infrastructural planning; Sales & Operational planning. He has also served as Senior Electrical Engineer, Unilever Engineering Excellence Team, responsible for leading Engineering excellence and standards in Africa, Asia & Middle East, based in Port Sunlight, UK.

Management Team profile

Mrs. Stephanie Omobuwajo is the acting Human Resources Director for FrieslandCampina WAMCO, and holds a Bachelor's Degree in Accounting from the University of Jos in Plateau, while currently pursuing an MBA at the Business School Netherlands.

Prior to her appointment in FrieslandCampina WAMCO, she worked in the banking sector for over five years. She is a proven Human Resource and Personnel Management Expert. Her work history spans successful experience in Talent & Organizational Development and Management Development.

She has risen through ranks in the company in her over fifteen years of working within the organisation and has exhibited an exceptional commitment to team building and overall company growth through impeccable work ethics and continuous strive for development.

Stephanie has bagged over twelve signature Human Resource qualifications, some of which include, HR Best Practices, Employee Relations & Diversity Talent Acquisition, Organizational Development and Employee Performance. She is an Associate member of the Chartered Institute of Personnel Management and a Fellow of the Institute of Chartered Accountant of Nigeria.


Three Crowns
THE HEALTHY CHOICE
Low Cholesterol
ENDORSED BY
NIGERIAN HEART FOUNDATION
APPROVED
AS
HEART FRIENDLY
Low Cholesterol
Great Taste
Essential Vitamins
Mum's Love
Low Cholesterol
Three Crowns
THE HEALTHY CHOICE
Instant Filled Milk Powder
Healthy mums, happy families


12
adidas

A Peak breakfast for **stronger bodies and shaper minds**

Peak Milk in your breakfast provides the body and brain with important nutrients you need for a perfect day. Without a peak breakfast, you are effectively running on low or empty nutrients, like trying to start the car with no petrol!

Milk and dairy foods provide calcium and protein. One serving of Peak milk with your breakfast can provide half of your recommended daily allowance (RDA) of calcium, which is essential to strengthen your muscles and keep your bones and teeth strong and healthy.

Peak Milk in your breakfast is a good source of important nutrients such as B vitamins, Vitamins A, D, Folic Acid, Iodine, as well as protein which are needed to support memory function, mental alertness, clear eyesight. Research has shown that if these nutrients are missed at breakfast, they are less likely to be compensated for later in the day.

Directors and other corporate information

Board of Directors:	Mr. Jacobs Moyo Ajekigbe, OFR	Chairman
	Mr. Bernard Cheruiyot Langat (Kenyan)	Managing Director
	Mrs. Oyinkan Ade-Ajayi	
	Rev. Isaac Adefemi Agoye	
	Engr. Mustafa Bello	
	Mr. Peter Eshikena	
	Mr. Roel Van Neerbos (Dutch)	
	Mr. Robert Steetskamp (Dutch)	
Company Secretary/ Legal Adviser	Mrs. Olubukunola Olateru *FCIS*	
Registered Office:	Plot 7b Acme Road Ogba Industrial Estate Ogba, 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 Coronation Merchant Bank First Bank of Nigeria Limited Guaranty Trust Bank PLC Stanbic IBTC Bank PLC Union Bank of Nigeria United Bank of Africa PLC Zenith Bank PLC	

Report of the Directors

for the year ended 31 December 2018

1 Incorporation

FrieslandCampina WAMCO Nigeria PLC was incorporated in Nigeria under the Companies and Allied Matters Act (Cap. C20) Laws of the Federation of Nigeria 2004 as a Public Limited Liability Company and is domiciled in Nigeria.

2 Principal Activities

The Company is principally involved in the manufacture, marketing and distribution of dairy products. It has its manufacturing site in Ogba Industrial Estate, Ikeja, Lagos.

3 Result for the year

The summary of the operating results is as follows:

In thousands of naira	**2018**	**2017**
Revenue	**149,158,788**	140,076,525
Profit before income tax	**16,312,453**	15,885,363
Income tax expense	**(4,559,451)**	(3,869,430)
Profit for the year	**11,753,002**	12,015,933
Other comprehensive income	**33,955**	(19,553)
Total comprehensive income for the year	**11,786,957**	11,996,380

4 Dividend

As a policy, the Company endeavors to pay dividend at the rate of not less than 75% (75% in 2017) of its Profit After Tax (PAT) 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. In accordance with this policy, the Board is recommending a dividend payout of 77% of PAT or ₦9.27 per ₦0.50 share.

An interim dividend of ₦2.91 per ₦0.50 share was paid in October 2018; and a final dividend of ₦6.36 per ₦0.50 share is recommended for your approval. If the proposed final dividend is approved, the final dividend less withholding tax at the appropriate rate will become payable on 21 June 2019.

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. Bernard Cheruiyot Langat (Kenyan)	Managing Director
Mrs. Oyinkan Ade-Ajayi	Non- Executive Director
Rev. Isaac Adefemi Agoye	Non- Executive Director
Engr. Mustafa Bello	Non- Executive Director
Mr. Peter Eshikena	Non- Executive Director
Mr. Roel Van Neerbos (Dutch)	Non- Executive Director
Mr. Robert Steetskamp (Dutch)	Non- Executive Director

In accordance with Article 85 of the Company's Articles of Association, Mrs. Oyinkan Ade-Ajayi, Messrs. Peter Eshikena and Roel Van Neerbos will retire by rotation and being eligible, offer themselves for re-election.

The profiles of all three Directors standing for re-election are contained on pages 13, 14 and 15 of this Annual Report.

7 Directors' Interests in Contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Maters Act, (Cap C.20) Laws of the Federation 2004, of any disclosable interests in contracts with which the Company was involved as at 31 December 2018.

8 Directors' Shareholding

The register of Directors' interests in the share capital of the Company will be open for inspection at the Annual General meeting.

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the Register of Directors' shareholding and as notified by them in accordance with Sections 275 and 276 of the Companies and Allied Maters Act, (Cap C.20) Laws of the Federation 2004 (CAMA) are as follows:

Number of ordinary shares held as at 31 December

	2018		2017	
	₦0.50 nominal value	**Holdings %**	₦0.50 nominal value	Holdings %
Mr. Jacobs Moyo Ajekigbe, OFR	1,250,000	0.13	1,250,000	0.13
Rev. Isaac Adefemi Agoye	1,335,418	0.14	1,335,418	0.14
Mrs. Oyinkan Ade-Ajayi	1,136,794	0.12	1,136,794	0.12
Mr. Peter Eshikena	192,646	0.02	192,646	0.02
Mr. Bernard Cheruiyot Langat	Nil	0.00	Nil	0.00
Engr. Mustafa Bello	Nil	0.00	Nil	0.00
Mr. Roel Van Neerbos	Nil	0.00	Nil	0.00
Mr. Robert Steetskamp	Nil	0.00	Nil	0.00

9 Corporate Governance Report Framework

FrieslandCampina WAMCO Nigeria PLC operates within a Corporate Governance framework established on the following:

- The Companies and Allied Matters Act [CAP.C20] Laws of the Federation of Nigeria (LFN) 2004 (CAMA).
- The Investment and Securities Act 2007.
- Securities and Exchange Commission (SEC) Rules for the time being in force.
- The SEC Code of Corporate Governance for Public Companies 2011 as amended.
- The Nigerian Code of Corporate Governance (NCCG) 2018 issued by the Financial Reporting Council.
- The Memorandum and Articles of Association of FrieslandCampina WAMCO Nigeria PLC.
- The FrieslandCampina WAMCO Nigeria PLC Code of Business Conduct - COMPASS.

Accordingly, the Corporate Governance Policy of FrieslandCampina WAMCO Nigeria PLC can be summarised as follows:

I. The Company conducts its operations with honesty, integrity and respect for human rights and interests of employees.
II. The Company respects the legitimate interests of those with whom it has relationships.
III. The Company is required to comply with the laws and regulations of the country in which it operates.
IV. The Company conducts its operations in accordance with internationally accepted principles of good corporate governance. It provides timely, regular and reliable information on activities, structure, financial situation and performance to its shareholders and other stakeholders.

Compliance with the above principles is the basis of our business success and all employees and business partners of FrieslandCampina WAMCO Nigeria PLC are mandated to comply with the above principles.

a. Board Responsibilities

The Board has the final responsibility for management, direction and performance of the Company. This responsibility is vested in the Board by the relevant laws and regulations of the Federal Republic of Nigeria and the Articles of Association of FrieslandCampina WAMCO Nigeria PLC. Overall, the Board has the responsibility for the establishment of a risk management system within the Company.

The Board has delegated to the Managing Director all its powers, authorities and discretions which relate to the day to day operations of FrieslandCampina WAMCO Nigeria PLC save for the following:

1. *Structural and Constitutional powers*
   a. *Alteration of Memorandum and Articles of Association*
   b. *Alteration of the Company's Share Capital*
   c. *Significant disposal of the Company's assets*

2. *Governance*
   a. *Convening of meetings of the shareholders of FrieslandCampina WAMCO Nigeria PLC and the setting of the agenda thereof;*
   b. *Presentation of the annual report and financial statements to shareholders;*
   c. *Proposals to the general meetings of shareholders of FrieslandCampina WAMCO Nigeria PLC on Board remuneration within the authority set by the general meeting of shareholders*
   d. *The review of the functioning of the Board and its committees*
   e. *Overall responsibility for compliance with all relevant laws, regulations and Code of Corporate Governance*

b. Board Appointment and Evaluation Process

The basis for recruiting Directors in FrieslandCampina WAMCO Nigeria PLC is based on the requisite qualifications, skills and the ability to make objective and independent contributions to its governance in accordance with the relevant legal and global requirements.

Our governance process in FrieslandCampina WAMCO Nigeria PLC provides for the induction and training of Directors by virtue of which they are taken through relevant and appropriate training programmes which equip them for the role. The Board of Directors are benchmarked against the Company's Code of Business Conduct, applicable laws and regulations of Nigeria, and other relevant governance provisions.

In line with the newly enacted Nigerian Code of Corporate Governance (NCCG 2018) and in compliance with the SEC Code of Corporate Governance for public companies 2011, the Board engaged corporate governance consultants to conduct a review of the Company's governance process and Board evaluation. This review process was conducted by the Institute of Directors Centre for Corporate Governance (IoDCCG).

In conclusion, the Evaluation Report shows that FrieslandCampina WAMCO Nigeria PLC governance, procedures and practices were significantly in compliance with the provisions of applicable laws, regulations, corporate governance codes and international best practice. In the consultants' opinion, the Company's Board is impactful, well-structured and effective. Action points from the evaluation will be addressed in the course of 2019.

c. Board Meetings

During 2018, the Board of Directors convened four (4) meetings. The record of Directors' attendance is presented below:

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Jacobs Moyo Ajekigbe, OFR	4
Mr. Bernard Cheruiyot Langat	4
Mrs. Oyinkan Ade-Ajayi	4
Rev. Isaac Adefemi Agoye	4
Engr. Mustafa Bello	4
Mr. Peter Eshikena	4
Mr. Roel Van Neerbos	3
Mr. Robert Steetskamp	4

The Board meetings were held on 1 March 2018, 17 May 2018, 6 September 2018 and 29 November 2018.

d. Audit Committee Meetings

In line with Section 359 (4) of the Companies and Allied Matters Act, (Cap C.20) Laws of the Federation 2004 (CAMA), the Audit Committee is comprised of three (3) Shareholders' representatives and three (3) Directors' representatives.

Section 359 (6) of CAMA and the SEC Code of Corporate Governance for Public Companies 2011 provides and regulates the functions of the Audit Committee.

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

During 2018, the Audit Committee convened four (4) meetings. The record of Committee's attendance is presented below:

NAME	NUMBER OF MEETINGS ATTENDED
Rev. Isaac A. Agoye	4
Mr. Okwudili G. Emodi	4
Mr. Peter Eshikena	4
Sir. Sunday N. Nwosu	4
Mr. John Ogundipe	4
Mr. Robert J. Steetskamp	4

The Audit Committee Meetings were held on 28 February 2018, 30 April 2018, 5 September 2018 and 28 November 2018.

e. 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 are:

1)	Mr. Bernard Langat	Managing Director
2)	Mr. Adewale Arikawe	Sales Director
3)	Mr. Doyin Ashiru	Operations Director (Embarked on long term assignment 31 March, 2019)
4)	Mr. Dirk van Breen	Finance Director
5)	Mrs. Ore Famurewa	Corporate Affairs Director
6)	Mr. Tominiyi Oni	Human Resources Director (Retired 30 April, 2019)
7)	Mr. Chris Wulff-Caesar	Marketing Director
8)	Ms. Zatur Hassim	Specialised Nutrition Director (Appointed on 1 April, 2018)
9)	Mr. Joel Ariori	Customer Supply Chain Director (Appointed on 1 April, 2019)
10)	Mr. Adekola Lamidi	Make (Production) Director (Appointed on 1 April, 2019)
11)	Mrs. Stephanie Omobuwajo	Human Resources Director (Appointed in acting capacity on 1 May, 2019)

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.

Following a new organisational structure, the Operations function has been divided into Make (Production) and Plan & Deliver. Marketing fuction was also divided into Consumer Marketing and Specialised Nutrition to improve the strategic focus on specialised nutrition.

f. Analysis of shareholdings

According to the register of members, as at 31 December 2018, the shareholding analysis of the Company is as follows:

Range	Number of shareholders	Holdings %	Number of shares held	Holdings %
1 - 10,000	2,129	69.21	5,415,410	0.55
10,000 - 20,000	268	8.71	3,939,149	0.40
20,001 - 50,000	269	8.75	8,817,540	0.90
50,001 - 100,000	139	4.53	10,162,346	1.04
100,001 - 500,000	177	5.75	41,062,734	4.21
500,001 - 1,000,000	25	0.81	18,333,403	1.89
1,000,000 - 5,000.000	61	1.98	124,591,783	12.76
Above 5,000,000	8	0.26	764,013,571	78.25
	3,076	100	976,335,936	100.0
Nigerian public	3,075	99.96	314,258,004	32.19
FrieslandCampina Nigeria Holding B.V	1	0.04	662,077,932	67.81
	3,076	100	976,335,936	100

g. Shareholders' participation

The Company is committed to promoting shareholders' rights and takes 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 contributions of shareholders at Annual General Meetings.

h. Code of Business Conduct and Ethics

The Company has a Code of Conduct which sets out the values and principles that guides all employees in the way and manner they conduct themselves in relation to all its stakeholders. The Company ensures a steady awareness of these values and principles by continuous training, adequate publication of the contents of the Code to its employees and the development of a whistle-blowing procedure to deal with any contravention of the Code of Conduct.

i. Share Dealing/Insider Trading

By virtue of the share trading policy of the Securities and Exchange Commission, FrieslandCampina WAMCO Nigeria PLC has in place, a Share Dealing policy which regulates securities transactions by its Directors, employees and other insiders on terms which are no less demanding than the required standard set out by the Securities and Exchange Commission.

The Directors of the Company and senior employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investment and Securities Act 2007.

Therefore, the relevant persons are prohibited 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 Statement of Compliance

We hereby affirm that the SEC Code of Corporate Governance and the Nigerian Code of Corporate Governance (NCCG) 2018 govern the operations of the Company and confirm that to the best of our knowledge, we are in compliance with the Code.

11 Operations

In the past year, the Company maintained its safety and quality initiatives and raised the bar as it concerns these parameters. Our "4 zero" strategy for safety, quality service and cost was a driving force in achieving these successes.

In line with its strategic intent, the Company initiated and executed several CAPEX projects in 2018, including instituting a first-of-its-kind training academy (the Academy) to drive organizational agility and competitive advantage. These projects were distributed across various parts of the Company.

Towards implementing our People Capability Development Plan that translates learning into substantial business productivity, the new Academy will serve as a one-stop system and structure that provides a learning platform for employees leveraging technology; while developing capable and competent people with the right skills, knowledge and behaviour to deliver strong business results.

The new state of the art evaporated milk processing plant was commissioned during the year with its strategic focus on safety, efficiency, quality and capacity. To fully optimize this plant, the Company undertook the installation of a new powder dump section and AMF melting tunnel. With this arrangement, the Company is proud to own an evaporated milk processing capacity of over 400,000 (Four Hundred Thousand) litres daily.

The condensed plant packaging section also underwent an upgrade to improve working conditions for employees and address safety concerns in the area. The end-of-line automation project ensures that the quality of trays is maintained from production to storage and the various packaging equipment (in the upstream) run optimally thereby improving factory efficiency.

In the powder plant, the Company invested in a new pouch filling machine and central dumping for nine filling machines. The drivers for these machines are increased pouch filling capacity, flexibility in pouch sizes, food safety and hygiene.The Company made giant strides in improving customer satisfaction via our world-class customer supply chain excellence operations with the introduction of 10 new Stock Keeping Units (SKUs) including but not limited to the introduction of the Peak yoghurt, 3-in-1 tea and Infants, Follow- on & Toddlers (IFT) products in sachets.

A major challenge was the port congestion which led to difficulty in transporting raw materials, equipment and finished goods from the ports to our factories. However, the Company was able to address the situation by continuous engagement with stakeholders in the chain, while barge operations were also undertaken to ensure materials reached the factory on time.

12 Developing Local Dairy Farming

The Dairy Development Programme (DDP) achieved laudable milestones in its efforts to expand the programme in 2018, and some of the recorded achievements include, additional milk collection centres to support increased raw milk usage in the manufacturing of our products, including the new Peak yoghurt. There was also investment in milk trucks and farm machinery to support milk collection and the small holder dairy farms.

In order to reduce operating costs in our DDP communities, we installed solar solution to run the milk collection centres which is in alignment with FrieslandCampina sustainability plans.

In addition, Four (4) pilot master farms were developed with 5 hectares of pasture (feed and fodder) each to serve as model to other farms in our drive to revolutionize dairy farming in Nigeria. Crossbreeding programme was introduced and implemented to improve farm productivity, while extension and training on various topics were also carried out throughout the year.

Three (3) dairy cooperatives were setup for proper organisation of the activities of the farmers in their various communities in order to provide sustainability for their business. With the help of the cooperatives, the women are now empowered to sell FCW products as a source of livelihood.

Safety is a priority for us as a Company and we have taken adequate actions to ensure that the dairy farmers are enlightened on the usage of appropriate safety Personal Protective Equipment (PPE) in their daily delivery of fresh milk to our collection centres.

13 Channel Development and Shopper Marketing

The Company remains dedicated to serving its customers anywhere and anytime 24/7 through its innovative and strong multiple routes to market. Hence, it drove physical availability of its brands and products and delivered the right product at the right time, in the right location for the right price to shoppers.

Through the Alternative Trade Business (ATB), the Company affixed its footprint across geographies to reach shoppers via Community Based selling in order to harness sales opportunities of affordable nutrition among emerging middle-class shoppers.

This Community Based approach has driven penetration of Peak milk and Three Crowns milk via physical and mental availability and connected with shoppers out of home in over 250 communities with mobile sales vans, gazebos and direct to shopper self-financing entrepreneurial scheme (SFS) penetrating different touch points - Churches, Mosques, event centres, high vehicular and pedestrian traffic zones.

Our insight driven national outlook and regional executed retail value proposition supported in driving the penetration of our products; the shopper promotions and activations in General Trade and dedicated brand ambassadors in Modern Trade drove scale and magnitude to further enhance the presence, relevance and prominence of our products across all relevant shopper channels.

14 Marketing

The Peak brand continued to strengthen its undisputed number 1 position in dairy with key health brand indices of Top Of Mind Awareness (TOMA), equity and conversion score all recording significant growth. This in turn translated to 4% volume uplift and 6% Net Sales Value (NSV) growth vs. 2017.

As the dairy category leader, the Peak brand remains committed to meeting the needs of its consumers with tailored innovation. We fully established our Peak Filled range in 2018 with the addition of Peak Filled 260g and 800g powder. This enabled the Company fulfil its promise to offer more choice and tailored products to different consumers, we believe "Everyone has a Peak".

The year 2018 also saw the launch of the first 3-in-1 Tea mix in Nigeria. Peak Tea mix has all it takes for the complete tea with the right amount of dairy creamer, tea extracts and sugar.

The Peak brand continued to live its brand purpose of "Enabling all Nigerians Reach their Peak" by evolving its 'Unstoppable Campaign' into a fully integrated commercial agenda.

In addition to nourishing the athletes with the best dairy nutrition for stronger bodies and sharper minds, the Peak brand independently transformed the Para Powerlifting gym (last renovated in 1972) into a world class training facility with state-of-the-arts equipment and wheel chair accessible features. The Company continues to provide platforms to tell the athletes' inspirational stories both online and offline, while also serving as an inspiration to the Super Eagles at the 2018 FIFA world cup.

With the PECADOMO (Peak Can Do More) campaign to drive versatility of milk usage, the Peak brand created memorable consumer experiences by expanding into new channels (Alternative trade, Modern trade and Buka) and cities (Lagos, Abuja, Benin & Enugu).

The Peak brand continues to drive access to specialized nutrition for Nigerian children with the expansion of its portfolio into specialty formula (Preterm) and low unit portion packs for growing up milk. Furthermore, the 'My Own Milk' and 'Drink Move Be Strong' (DMBS) campaigns under Peak 456 Growing Up Milk continue to raise awareness and educate on the importance of tailored nutrition for children. The campaigns successfully engaged parents, teachers and health care professionals, on the key role milk plays in supporting mental and physical development of children.

The Three Crowns brand celebrated 30 years of helping mums and their families keep fit. The brand also strengthened its low cholesterol proposition with an endorsement from the Nigerian Health Foundation (NHF). This endorsement adds further credibility to the brand's positioning as Nigeria's heart-friendly milk. Worthy of note is that the Three Crowns brand is the first dairy brand in Nigeria to get this endorsement.

The fitness challenge activation sponsored by the Three Crowns brand, continued into major cities to encourage and grow the fitness lifestyle and behaviour via cardio-dance sessions and work out routines with everyday unconventional tools.

The Mum of the Year Campaign climaxed the 30th anniversary celebration rewarding three mums from Lagos, Port Harcourt and Abuja to an all-expense paid family weekend trip to Dubai.

Overall, the Company and its brands received a number of independent external awards and recognition from veritable organizations.

15 Suppliers

a. The Company's significant overseas suppliers are:
   - Cargill Deutschland GmbH, Germany
   - FrieslandCampina Nederland BV, The Netherlands
   - FrieslandCampina Kievit B.V,The Netherlands
   - ROQUETTE FRERES, France
   - Syral, France
   - Topec BV, The Netherlands

b. The Company's significant local suppliers are:
   - African Truckers Limited
   - Arvee Industries Limited
   - Avon Crowns Cap Nigeria Plc
   - Bollore Africa Logistics Nigeria Limited
   - GMT Nigeria Limited
   - Golden Oil Industries Limited
   - Nampak Plc
   - Nipco Plc
   - Oracle Experience Limited
   - POINT Print Management Nigeria Limited
   - Presco Nigeria Limited
   - Primepak Industries Nigeria Ltd
   - Rigidpak Containers Limited
   - Sonex Packaging Limited
   - Stallion Plastics Industries Limited
   - Veevee Paper Products Limited

16 Know-how and licence agreements

The Company has a Know-How Licence and Trademark Licence Agreement; a Research and Development Know-How Licence Agreement and a Dairy Development Agreement with FrieslandCampina Nederland B.V.

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.

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

- Know-How Licence and Trade mark Licence Agreement is 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 is 1% of the turnover of the products produced and sold by FrieslandCampina WAMCO Nigeria PLC.

- Dairy Development Agreement is 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 Corporate Social Responsibility

In line with our purpose, we continued to drive impact through various platforms for nutrition engagement.

We collaborated with Choices International in an effort geared towards promoting heart health, scientific research in cardiovascular health, healthy lifestyles and advocacy on heart issues through various heart health activities. It is worth noting that the Nigerian Heart Foundation in collaboration with Choices International endorsed Three Crowns Milk after the product fulfilled all healthy heart criteria such as the levels of saturated and trans fatty acids, added sugar, salt, & dietary fiber. This endorsement came in the form of the Choices logo on our front-of-pack labels to help consumers identify the healthy choice at a glance.

Our employees were at the frontline, engaging at various community levels on the goodness of milk and FrieslandCampina WAMCO's purpose of providing better nutrition.

At our DDP site in Oyo, we delivered an impactful Goodness of Milk engagement to celebrate the World Milk day with our dairy farmers. The engagement themed "It starts from the farm" in partnership with the Nutrition Society of Nigeria (NSN) highlighted the invaluable contribution of dairy farmers in ensuring we have wholesome milk for daily nutrition. The celebration was extended to pupils of Fashola Community Primary School, a small school for the farming community, where the magic of milk for stronger bodies and shaper minds was shared via fun activities.

We partnered with the Nigerian Red Cross Society to provide quality nutrition to Internally Displaced Persons in Durumi camp, Abuja. This support aimed to increase the nutritional status of over 400 vulnerable children living in the camp, aged 4-15 years. Each child received a daily serving of highly fortified and nutritious Peak milk from the month of September to December.

In Zaria, Kaduna State, employees reached out to the Beth Torrey Home for the Mentally Handicapped persons, a not-for-profit and non-governmental organization dedicated to improving the health and well-being of mentally challenged children. FrieslandCampina WAMCO supported the home with renovations and resource contribution by staff volunteers.

We continued the University Endowment funding and partnership with NOTAP on Industry Technology Transfer Fellowship (NITTF) to promote research around Food Science and dairy development and to create indigenous critical technological competences through special PhD programmes tenable in Nigerian Universities.

Our Company is committed to efforts aligned to solving issues of malnutrition and ensuring reduction of prevalent non-communicable diseases, by increasing access to quality dairy nutrition.

18 Embedding Performance Culture

FrieslandCampina WAMCO Nigeria PLC remains one of the best places to work in Nigeria. As a team, we work together to ensure success for both employees and the Company by constantly challenging ourselves to provide a conducive and winning work environment for our employees.

To win in the market, it is important to win first in the workplace. Therefore, at FrieslandCampina WAMCO Nigeria PLC, we are committed to creating positive impact amongst our employees because we recognize that they are the heart, mind and soul of the Company. We achieve this objective by maximizing their potential through a comprehensive people strategy and turning the strategy into action.

In the past year, we maintained our commitment to People and Process improvement by ensuring high standards through out every part of our business. We recruit, develop and retain colleagues we believe will make us better, seeking out those with strong leadership potential and infectious mindset. People with strong sense of personal responsibility and dedication to putting our customers and consumers first, creating shareholder value and delivering on our objectives.

In 2018, our employee engagements and satisfaction score was the highest globally. This can be attributed to various employee engagement initiatives organized by the company to embed a culture of winning and collaboration. Some of them include FCWAMCO games, employee participation in Remita Cup and FMCG games.

a) Also in 2018, we witnessed a lot of leadership development activities with signature learning intervention to expand the capacity of our employees in leadership roles.

b) We would continue to support our employees through clear policies, competitive reward programs, coaching and development opportunities and health and wellbeing initiatives in 2019.

19 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.

20 E-Dividend

The Company consistently encourages its shareholders to embrace the e-dividend and e-bonus introduced in the capital market. This is to enable prompt crediting of shareholders' accounts with their CSCS account with bonus shares. This will also eliminate the cost of posting dividend warrants and share certificates as well as the risk of being lost in the post.

21 Donations

Making a positive contribution to society is central to our purpose. The Company recognises its responsibility to the communities in which it operates and remains committed to supporting these through targeted programmes and initiatives. In 2018, the Company made donations amounting to ₦22,479,035 (2017: N24,714,444) as follows:

Charity donations	Amount in Naira
Adonai Orphanage Home & Widow Centre, Kaduna State	232,966
Bert Torey Home for Mentally Handicapped Children, Zaria, Kaduna State	232,966
Besthsida Orphanage, Ikachi, Benue State	232,966
Child Care Trust Abuja	232,966
Chims Motherless Babies Home, Aba, Abia State	232,966
Compassionate Orphanage, Igando, Lagos State	232,966
Dominican Sisters' College Abatete, Anambra State	252,029
Franciscan Sisters of Immaculate, Lekki, Lagos State	232,966
Heart of Gold Orphanage, Surulere, Lagos State	232,966
Jesus Children Mission Outreach, Ibadan, Oyo State	232,966
Little Saints Orphanage, Ikorodu, Lagos State	353,632
Little Sisters of the Poor, Enugu State	243,572
Madonna School for the Handicapped, Okpanam, Delta State	232,966
Marble House of Sarah Charity Home, Ibusa, Delta State	232,966
Marian Monastery, Enugu State	232,966
Mother's Welfare Group, Asokoro, Abuja	232,966
Methodist Motherless Babies Home, Uzuakoli, Abia State	353,632
Old Peoples Home, Yaba, Lagos State	208,000
Oluyole Cheshire Home, Ibadan, Oyo State	232,966
Our Lady of Lourdes Maternity & Clinic, Ipetunmodu, Osun State	232,966
Our Lady's Hospital & Orphanage, Zawan, Plateau State	232,966
Ovie Brume Foundation, Victoria Island, Lagos State	232,966
Red Cross Yaba, Lagos State	232,966
Samaritan Project, Ebute-Metta, Lagos State	232,966
SDA Motherless Home, Aba, Abia State	353,632

SOS Children's Village, Isolo, Lagos State	232,966
St. Monica's Orphanage, Lagos State	232,966
Ufon Abasi Orphanage, Akwa- Ibom State	353,632
Heritage Homes, Anthony Village	232,966
Winnie's Castle of Love Orphanage Home, Ibadan, Oyo State	232,966
Orphanage fix-up- Beth Torrey Home for the Mentally Handicapped, Zaria	567,267
	8,043,614
Patnership with Nigerian Red Cross Society	
Donation to Durumi IDP, Abuja	**1,974,341**
Tertiary Endowment	1,100,000
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	**6,600,000**
Others	
Nutrition Support For Paralympians	4,861,080
Industry Technology Transfer Fellowship	1,000,000
	5,861,080
Total	22,479,035

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.

22 Auditors

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

Olubukunola Olateru FCIS (Mrs.)
Company Secretary
FRC/2018/ICSAN/00000017968
Lagos, Nigeria
30 April 2019

Introduction

The Corporate Governance rules and Codes have recorded changes as a result of the need to introduce principles and measures to ensure that businesses are run effectively, efficiently and transparently. These changes have imposed new requirements on organisations to evaluate their systems of governance in order to determine whether or not they are in compliance, and where there are gaps, to take measures to close them. It is in this regard that the Board of Directors took a proactive action by engaging IoD Centre for Corporate Governance (IoDCCG) to undertake a Corporate Governance Evaluation of the Company and an Evaluation of its Board.

The project constituted the following key terms of reference, among others:

- The assessment of the adequacy of the overall Governance and Assurance practices in place;
- Identification of gaps regarding the practices in place vis-à-vis relevant extant Codes and Best Practices;
- Recommendations on the processes and procedures for implementing improved corporate governance arrangements;and
- Board Evaluation

In conducting the evaluation, the IoDCCG referenced relevant Corporate Governance Codes, including the SEC Code of Corporate Governance for Public companies 2011 and the Nigerian Corporate Governance Code 2018, as well as leading Best Practices.

Corporate Governance Evaluation

FrieslandCampinaWAMCO Nigeria PLC believes in good Corporate Governance. The Company has a well-designed organisation structure, which represents a good view of the interrelationships and systems of governance. It is a system of administration that is predicated on good Corporate Governance and the objectives of profitability and sustainability in terms of the Company's business and the environment.

There were several areas of good corporate governance practices which were noted during the evaluation; for example, the risk management process that is underpinned by a result-oriented risk management strategy and the enthronement of a sound ethical framework company-wide. The Company also has a whistle blowing policy "Speak Up" through which employees and other stakeholders are encouraged to report unethical practices.

There were areas for improvement and the Company had taken steps to address this shortcoming as part of the project deliverables.

Board Evaluation

The Board Evaluation exercise covered the whole Board Evaluation and Directors' Peer Evaluation.

A Board Evaluation is undertaken to assess the effectiveness of the Board and determine areas where there are gaps and on which the Board needs improvements. IoDCCG, in its report, pointed out areas where improvements are required.

Action Plan

The Board is inclined to strengthening good Corporate Governance practices and raising the standards of Board effectiveness in the Company. It is pleasing to note that the Board is making every effort to improve the Company's corporate governance practices and achieve the highest rating.

Sustainability – An integral component of FrieslandCampina WAMCO's Business Strategy

FrieslandCampina WAMCO has continued to play a leading role in the production, processing, packaging, marketing and distribution of various milk products in Nigeria.

Beyond these activities, through our operations, we aim to be forerunners of Corporate Sustainability & Responsibility by creating added-value for both FrieslandCampina WAMCO and the society.

Therefore, our company's strategy and yearly performance delivers on all pillars of our purpose, Nourishing by Nature; the latter compels us to lead with sustainability (defined under three key pillars) with performance indicators established to measure progress. These pillars are:
1) better nutrition for the world's consumers
2) good living for our farmers
3) now and for generations to come

Our sustainability pillars are fully integrated into our growth and value creation ambitions, allowing our activities to directly contribute to our business objectives.

Through our sustainability initiatives, our added-value can stem from new ways of thinking, new products, smarter production processes or cooperation with stakeholders. This becomes visible in financial value creation through development of new products and strengthened customer relationship. Social value has also been created by our efforts aimed at improving health and providing solutions to malnourishment.

Our corporate purpose revolves around this shared value so that not only FrieslandCampina WAMCO's continuity is safeguarded, but also the wellbeing of people, animals, the environment and the future of dairy farming.

Key highlights of our 2018 sustainability performance

We tracked our 2018 sustainability performance across all pillars of our purpose, Nourishing by Nature, our performance is highlighted below:

An estimated 3500 Farmers have been upskilled through our Dairy Development Programmes.

45,000 children were impacted across 393 schools through the Peak 456 "Drink, Move Be Strong Pre-school Programme".

We worked 2209 days without recording any Lost Time Accident (LTA), as at 31st December

Approximately 6,500 individuals were reached through our career fairs in 2018

We have put in place a Building Management System (BMS) to reduce our energy consumption and carbon footprints.

In 2018, Three Crowns Milk was endorsed with the Heart Check Logo from the Nigerian Heart Foundation

1219.5 Training hours conducted and a total of 1,901 employees trained on technical and non-technical subjects in 2018.

We had Zero (0) Regulatory sanctions or fines from all our regulators in 2018.

We invested socially in 39 Organisations in 2018.

We operate an active Circular Economy

In our bid to foster sustainable waste management and reduce value leakage across our operations, we identified key areas where we implemented circular economy practices to boost our resource efficiency and drive overall cost reduction. Our approach to circular economy within our value chain is illustrated below:

Raw materials
Sales of waste powder for animal meals. We sold 69.300Kg of waste milk powder to farmers for use as animal meal supplements.

Production
Condensate Recovery
We recorded average daily savings of 1691.341l of water and 24.59Gj of energy in 2018.

Wastewater Treatment
Our wastewater powered fish pond houses about 241 healthy fish and reiterates the quality of the water for biological life.

Recycling
Zero-waste Model
In 2018, across our waste categories, we sold 86% of our total waste to third party recyclers.

Reuse
Product Reuse
As part of our waste reduction program, we reuse under filled products which are checked for quality in our production process to reduce excess waste.

Statement of Directors' responsibilities

for the year ended 31 December 2018

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:

a) 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;

b) 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

c) 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/00000000002472
30 April, 2019

Bernard Cheruiyot Langat
FRC/2017/MANUN/00000017493
30 April, 2019


Peak
SINCE 1954
Yoghurt Drink
The new taste of nourishment
Peak
Yoghurt Drink
Plain Sweetened
Peak
Yoghurt Drink
176
Strawberry

Hale and hearty with **Three Crowns**

Milk is a provider of many nutrients including potassium, magnesium and calcium-all of which have been linked to lowering blood pressure.

Studies suggest that high calcium intake may lower systolic blood pressure in hypertensive individuals.

The Women's Health Study, a prospective cohort study on women aged 45 and above, found that, over the course of 10 years, increased consumption of skimmed milk reduced risk of hypertension in a dose-response manner.

Three Crowns with natural milk taste is healthy, nutritious milk and very low in cholesterol for a healthy heart. Three Crowns contain adequate content of calcium, protein, essential vitamins and minerals to keep your families strong & healthy in every moment.

Report of the Audit Committee

to the members of FrieslandCampina WAMCO Nigeria PLC
for the year ended 31 December 2018

In compliance with Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, we the members of the Audit Committee hereby confirm that we have examined the Auditors' Report for the accounting year ended 31 December 2018 and hereby declare that we have:

1. Reviewed the scope and planning of the audit requirements and found them adequate in our opinion.

2. Reviewed the financial statements for the year ended 31 December 2018 and are satisfied with the explanations obtained;

3. Ascertained that the accounting and reporting policies of the Company for the year ended 31 December 2018 are in accordance with legal requirements and agreed ethical practices.

4. Reviewed the effectiveness of the Company's system of accounting and internal control through a robust internal control framework.

5. Reviewed the External Auditor's management letter for the year ended 31 December 2018 and are satisfied with response from Management.

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

Dated: 29 April 2019

Members of the Committee
Rev. Isaac Agoye - Chairman
Chief Godwin Emodi
Mr. Peter Eshikena
Sir Sunday N. Nwosu, KSS, GCOA, MIoD
Mr. John Ogundipe
Mr. Robert Steetskamp

pwc

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 ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2018, 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 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other information

The directors are responsible for the other information. The other information comprises *the Financial Highlights, Notice of Annual General Meeting, Chairman's Statement, Board of Directors' Profile, Management Team Profile, Directors and other Corporate Information, Report of the Directors, Corporate Governance, Corporate Sustainability & Responsibility, Statement of Directors' Responsibilities, Report of the Audit Committee, Value Added Statement, Five-Year Financial Summary, Other Company Activities, Corporate Directory, Proxy Form, E-Dividend Activation Form and E-Products Activation Form* (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this

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

auditor's report, and the other sections of the FrieslandCampina WAMCO Nigeria Plc 2018 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the FrieslandCampina WAMCO Nigeria Plc 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Edafe Erhie

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

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0819149

27 May 2019

Peak
SINCE 1954
Everyone has a Peak
Peak
SINCE 1954
STRONGER BODY
SHARPER MIND
Full Cream
Unsweetened
Evaporated Milk
New, Low in Cholesterol
Peak
SINCE 1954
28 VITAMINS & MINERALS
Filled
Evaporated Milk
Reach for your Peak

Statement of financial position

as at 31 December 2018

In thousands of naira	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	12	**27,505,446**	23,404,320
Prepayments	14(b)	**34,141**	36,477
Total non-current assets		**27,539,587**	23,440,797
Current assets			
Inventories	16	**23,727,302**	34,404,570
Trade and other receivables	17	**18,920,877**	11,413,224
Prepayments	14(b)	**7,351,244**	13,598,138
Derivative assets	18(a)	**273,449**	231,547
Cash and cash equivalents	18(b)	**13,658,352**	10,615,543
Total current assets		**63,931,224**	70,263,022
Total assets		**91,470,811**	93,703,819
Equity			
Share capital	19(a)	**488,168**	488,168
Share premium	19(a)	**350,211**	350,211
Retained earnings		**19,872,085**	17,780,145
Total equity attributable to owners of the Company		**20,710,464**	18,618,524
Liabilities			
Non-current liabilities			
Employee benefits	20	**610,467**	613,368
Deferred tax liabilities	15	**4,158,144**	2,715,984
Total non-current liabilities		**4,768,611**	3,329,352
Current liabilities			
Current tax liabilities	10(b)	**4,210,453**	2,652,564
Bank Overdraft	18(b)	**13**	1,943,091
Trade and other payables	21	**55,548,338**	53,807,297
Loans and Borrowings	22	**6,232,932**	13,352,991
Total current liabilities		**65,991,736**	71,755,943
Total liabilities		**70,760,347**	75,085,295
Total equity and liabilities		**91,470,811**	93,703,819

The financial statements on pages 16 to 65 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

Chairman - **Jacobs Moyo Ajekigbe, OFR**
FRC/2013/IODN/00000000002472

Managing Director - **Bernard Cheruiyot Langat**
FRC/2017/MANUN/00000017493

Additionally certified by:
Financial Director - **Dirk van Breen**
FRC/2018/ANAN/00000018059

The accompanying notes and significant accounting policies on pages 54 to 93 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

In thousands of naira

Continuing operations	Note	2018	2017
Revenue	5	**149,158,788**	140,076,525
Cost of sales	7(a)	**(118,432,934)**	(111,942,564)
Gross profit		**30,725,854**	28,133,961
Other income	8	**5,051,246**	3,610,136
Selling and distribution expenses	7(a)	**(12,646,510)**	(9,568,664)
Administrative expenses	7(a)	**(4,339,419)**	(5,268,678)
Writeback/(impairment) on financial assets	23	**5,254**	(18,937)
Results from operating activities		**18,796,425**	16,887,817
Finance income	6	**246,792**	1,204,547
Finance expense	6	**(2,730,764)**	(2,207,001)
Net finance cost		**(2,483,972)**	(1,002,454)
Profit before income tax	7(b)	**16,312,453**	15,885,363
Income tax expense	10(a)	**(4,559,451)**	(3,869,430)
Profit for the year		**11,753,002**	12,015,933
Other comprehensive income			
Defined benefit plan actuarial gain/(loss)	20(c)	**48,508**	(27,934)
Income tax on other comprehensive income	10(b)	**(14,553)**	8,381
Other comprehensive income for the year, net of income tax		**33,955**	(19,553)
Total comprehensive income for the year		**11,786,957**	11,996,380
Profit for the year is attributable to:			
Owners of the Company		**11,753,002**	12,015,933
Total comprehensive income for the year is attributable to:			
Owners of the Company		**11,786,957**	11,996,380
Earnings per share			
Basic and diluted earnings per share (naira)	11	**12.04**	12.31

The accompanying notes and significant accounting policies on pages 54 to 93 form an integral part of these financial statements.

Statement of changes in equity

In thousands of naira

	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2017		488,168	350,211	15,449,491	16,287,870
Total comprehensive income					
Profit for the year		-	-	12,015,933	12,015,933
Other comprehensive income					
Defined benefit plan actuarial gain, net of tax		-	-	(19,553)	(19,553)
Total comprehensive income for the year		-	-	11,996,380	11,996,380
Transactions with owners, recorded directly in equity					
Dividends	19 (b)	-	-	(9,665,726)	(9,665,726)
Balance as at 31 December 2017		488,168	350,211	17,780,145	18,618,524
Balance at 1 January 2018		488,168	350,211	17,780,145	18,618,524
Total comprehensive income					
Profit for the year		-	-	11,753,002	11,753,002
Other comprehensive income					
Defined benefit plan actuarial gain, net of tax		-	-	33,955	33,955
Total comprehensive income for the year		-	-	11,786,957	11,786,957
Transactions with owners, recorded directly in equity					
Dividends	19 (b)	-	-	(9,695,017)	(9,695,017)
Balance as at 31 December 2018		488,168	350,211	19,872,085	20,710,464

The accompanying notes and significant accounting policies on pages 54 to 93 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2018
In thousands of naira

	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		**16,312,453**	15,885,363
Adjustments for:			
Depreciation	12	**2,253,162**	1,850,133
Amortisation of intangible assets	13	**-**	9,247
(Write back)/Impairment loss of property, plant & machinery	12	**(86,000)**	86,146
Long service award expense	20(a)	**60,793**	92,107
Unrealised fair value change in derivatives		**(41,902)**	83,068
Other post employment benefit expense	20(b)	**39,689**	31,955
Interest income	6	**(246,792)**	(1,204,547)
Interest expense	6	**2,691,773**	2,200,986
Impact of exchange rate valuation		**(1,831,657)**	(2,268,783)
(Gain)/Loss on disposal of property, plant and equipment		**(46,803)**	246,547
		19,104,716	17,012,222
Change in working capital:			
Inventories		**10,677,268**	(21,703,885)
Trade and other receivables		**(7,568,102)**	(1,215,930)
Prepayments		**6,249,230**	(8,632,820)
Trade and other payables*		**(3,256,034)**	14,677,452
Cash generated from/(used in) operating activities		**25,207,078**	137,039
Income tax paid	10(b)	**(1,513,605)**	(6,231,324)
Long service award benefits paid	20	**(54,875)**	(62,756)
Net cash from/(used in) operating activities		**23,638,598**	(6,157,041)
Cash flow from investing activities			
Finance income		**245,682**	1,204,547
Proceeds from sale of property, plant and equipment		**114,114**	14,891
Acquisition of property, plant and equipment	12	**(6,335,599)**	(7,683,394)
Net cash used in investing activities		**(5,975,803)**	(6,463,956)
Cash flow from financing activities			
Interest paid		**(2,053,696)**	(2,695,544)
Dividends paid	19(b)	**(3,463,979)**	(14,061,935)
(Repayment)/proceeds of loans and borrowings		**(7,160,042)**	11,360,129
Net cash used in financing activities		**(12,677,717)**	(5,397,350)
Net increase/(decrease) in cash and cash equivalents		**4,985,080**	(18,018,347)
Cash and cash equivalent at 1 January	18	**8,672,452**	26,699,287
Effect of exchange rate fluctuations on cash held		**807**	(8,488)
Cash and cash equivalent at 31 December	18	**13,658,339**	8,672,452

*Change in trade and other payables has been adjusted for the effect of movements in dividend payable.

The accompanying notes and significant accounting policies on pages 54 to 93 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2018

Notes to the financial statements		**Page**
1	Reporting entity	54
2	Basis of preparation	54
3	Significant accounting policies	54
4	Use of judgements and estimates	70
5	Revenue	72
6	Finance income and finance cost	72
7a	Analysis of expenses by nature	73
7b	Profit before taxation	74
8	Other Income	74
9	Personnel expenses	74
10	Income taxes	76
11	Earnings per share	77
12	Property, plant and equipment	78
13	Intangible assets	79
14	Prepayments	80
15	Deferred tax liabilities	80
16	Inventories	81
17	Trade and other receivables	81
18a	Derivatives	81
18b	Cash and cash equivalent	81
19	Capital and reserves	82
20	Employee benefit liabilities	82
21	Trade and other payables	85
22	Loans and borrowings	85
23	Financial risk management and financial instruments	86
24	Operating leases	91
25	Contingencies	91
26	Related parties	92
27	Subsequent events	93

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, commenced operations on 13 September 1975 and became a public limited liability company in 1978.

The Company is principally engaged in the manufacturing, marketing and distribution 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 interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies and reporting under IFRS 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 30 April 2019.

The financial statements for the year ended 31 December 2018 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 cashflows 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 Company'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 Company'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) and derivative assets recognised at fair value.

(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.

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
Accounting policy up to 31 December 2017

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.

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 income.

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.

b) Financial instruments (continued)

Accounting policy from 1 January 2018

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

I Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss. The Company does not currently have financial assets measured at fair value through profit or loss.

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

The business models applied to assess the classification of the financial assets held by the Company are:

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

The Company's financial assets are held to collect contractual cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest ((for interest bearing financial assets). The financial assets are measured at amortised cost.

Derivative assets are recognized at fair value.

The Company's financial assets include trade and other receivables, and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets. Interest income from these assets is included in finance income using the effective interest rate method.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition net of directly attributable transaction costs and subsequently measured at amortised cost.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company has no financial liabilities measured at fair value through profit or loss.

The Company's financial liabilities include trade and other payables and borrowings.

b) Financial instruments
Accounting policy from 1 January 2018 (continued)

II *Impairment of financial assets*
Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to the Company's financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to trade receivables while the general approach is applied to cash and cash equivalents, and other receivables.

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

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as 12 month ECL which is a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

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

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

Significant increase in credit risk and default definition
The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

b) Financial instruments
Accounting policy from 1 January 2018 (continued)

III Derecognition
Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as other income/(losses).

Financial liabilities
The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

IV Offsetting of financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 assets under construction. 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.

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.

c) Property, plant and equipment (continued)

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	4 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.

f) Leases

I. *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Company in it's capacity as a leasee determines whether the arrangement is or contains a lease.

f) Leases (continued)

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.

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.

h) Impairment

Accounting policy up to 31 December 2017

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.

h) Impairment (continued)

I. Non-derivative financial assets (continued)

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 income statement, 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.

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 contributes 10% to the pension fund and an additional 5% to an investment fund.

i) Employee benefits (continued)

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 net of any unrecognised past service cost and actuarial losses plus 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.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

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.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company's defined benefit plan is unfunded.

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 Company 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. The other long-term employee benefits is unfunded.

iv. Terminational benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company 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 recognition

Accounting policy up to 31 December 2017

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 control of the products has transferred, being when the products are delivered to the buyer. Delivery occurs when the products have been shipped to the specific location indicated by teh buyer, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 7 to 45 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Accounting policy from 1 January 2018

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies in the financial statements. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on the evaluation done on the customer as stated in the credit management policy at the inception of the contract. The Company is the principal in all of its revenue arrangement since it is the primary obligor in most of the revenue arrangements, has inventory risk and determines the pricing for the goods and services.

Sale of goods
Sale of goods arises from domestic sales to third parties and related parties. Revenue from the sale of goods is recognised when the control of the goods are transferred to the buyer. This occurs when the goods are delivered to the customer or picked up by the customers. This is at a point in time.

The Company transfers the control to the customers after the goods have been delivered to the customer. The customer obtains the right to return goods that are bad or damaged after they have been delivered.

Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and when the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied. Delivery is considered a sales fulfillment activity.

Revenue from sale of goods is recognised based on the price specified in the contract, net of estimated rebates, slotting fees, and any estimated returns. Rebates are estimated at the inception of the contract except where the time lag between the recognition of revenue and granting rebates is not material.

Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur.

Slotting fees are payments to retail outlets for strategic display sections for the company's products. The amount paid is recognized as a reduction of the transaction price.

Disaggregation of revenue from contract with customers
The Company recognises revenue from the transfer of goods at a point in time. The Company derives revenue from different regions.

	Sales of domestically produced goods ₦'000	Sales of imported goods ₦'000
Sales of goods	136,061,982	13,096,806

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.

Finance costs comprise interest expense on borrowings computed using effective interest method.

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, otherwise they are capitalised.

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:

n) Tax (continued)

- 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.

p) 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.

q) 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.

r) **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.

s) **New and amended standards adopted by the Company**
The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures but to adjust the carrying amounts of financial assets and liabilities at the date of transition in the opening retained earnings on 1 January 2018 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. There was no impact on the Company's balances as at 1 January 2018 because of the adoption of IFRS 9.

The Company has also adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method, with the effect of applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 financial year has not been restated but is presented, as previously reported, under IAS 18 and related interpretations. There was no impact on the Company's balances as at 1 January 2018 as a result of the adoption of IFRS 15.

The adoption of IFRS 9 and IFRS 15 did not have significant impact on the financial statements of the company. However, accounting policies have been updated to reflect the new requirements of the standards.

A) IFRS 9 Financial instruments – Impact of adoption
The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The Company has assessed the quantitative impact on adoption to be immaterial, therefore no adjustments have been made to opening retained earnings for the current reporting period.

i) Classification and measurement

a) **Financial assets**
On 1 January 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Company's financial assets include cash and cash equivalents and trade and other receivables. The Company's The Company's financial assets include cash and cash equivalents, trade and other receivables which includes insurance claim receivables and amounts due from related party. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

Cash and cash equivalents, trade and other receivables that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost.

Derivative assets previously classified at a fair value remains the same.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change and as a result, this had no effect on the carrying amount of the financial assets and the opening retained earnings as at 1 January 2018.

b) Financial liabilities

The adoption of IFRS 9 requires that for financial liabilities that are measured under the fair value option, entities should recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The Company does not have any financial liabilities measured at fair value. Therefore the adoption of IFRS 9 did not affect the measurement of its financial liabilities. Consequently, no retrospective adjustments have been made in relation to this change as at 1 January 2018.

On the date of initial application, 1 January 2018, the classification of the financial instruments of the Company and their gross amounts are as follows:

Company	Classification & Measurement category		Gross carrying amount	
			IAS 39	IFRS 9
	IAS 39	IFRS 9	₦'000	₦'000
Current financial assets				
- Trade receivables	L and R*	Amortised cost	7,870,292	7,870,292
- Insurance claim receivable	L and R	Amortised cost	1,542,944	1,542,944
- Due from related parties	L and R	Amortised cost	265,568	265,568
Derivative assets	FVPL*	FVPL	231,547	231,547
Cash and cash equivalents	L and R	Amortised cost	10,615,543	10,615,543
Current financial liabilities				
Bank overdraft	Amortised cost	Amortised cost	1,943,091	1,943,091
Trade and other payables	Amortised cost	Amortised cost	45,215,573	45,215,573
Loans and borrowings	Amortised cost	Amortised cost	13,352,991	13,352,991

*Trade and other payables exclude Value Added Tax payable (VAT), deferred revenue, Withholdin tax (WHT), customer's deposits and retirement benefit obligations as these are non-financial instruments.
*FVPL – Fair value through profit or loss.
*L and R – Loans and Receivables.

ii) *Impairment of financial assets*

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The following are the Company's financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Insurance claim receivable
- Cash and cash equivalents
- Amount due from related parties

The Company has assessed the provision for impairment to be immaterial. The total recognised impact on the Company's retained earnings as at 1 January 2018 is therefore nil.

Inputs and parameters in the ECL computation

The parameters used to determine impairment for insurance reimbursable and restricted cash are shown below. For these financial assets, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

Probability of Default (PD)	This assesses the likelihood that the counter parties would not be able to repay in within the expected time horizon.
Loss Given Default (LGD)	This is the loss that the Company would suffer if the counter party defaults in payments.
Exposure at default (EAD)	This is the outstanding balance or carrying amount of the receivable without taking account of any collateral at the reporting date.

The Company considers both quantitative and qualitative indicators in classifying its financial assets into the relevant stages (where applicable) for impairment calculation. Impairment of financial assets are recognised in three stages on an individual basis as shown below:

Stage 1	This stage includes financial assets that are less than 30 days past due (Performing). All the Companies financial assets (except trade receivables) are in stage 1.
Stage 2	This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
Stage 3	This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

(a) *Trade receivables*
The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the sale of goods. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses experienced within 4 years before 1 January 2018. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the gross domestic product (GDP) growth rate and inflation rate as macroeconomic variables that affect the default rates and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company assessed these receivables to determine the expected credit losses. Based on this assessment, the identified expected credit losses as at 1 January 2018 and 31 December 2018 was deemed to be insignificant.

(b) *Insurance claims receivable*
The Company applied the IFRS 9 general model for measuring expected credit losses (ECL) to this receivable. This requires a three-stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The 2018 insurance claim receivables relates to a fire incidence that occurred in 2017 at the evaporated factory. A discharge voucher was issued by Lead insurer in December 2018 to the company. The discharge voucher was not signed at the year-end but the collectability of the amount was assessed under IAS 37 – Provisions, contingent assets and contingent liability and deemed the collectability to be virtually certain and therefore recognised a receivable.

The Company assessed the insurance claims receivable to determine the expected credit losses. This receivable are in stage 1 as at 1 January 2018. Based on this assessment, the expected credit losses as at 1 January 2018 was deemed insignificant.

(c) *Cash and cash equivalents*
The Company applied the IFRS 9 general model for measuring expected credit losses (ECL) to this receivable. This requires a three-stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

The Company assessed the cash and cash equivalents to determine their expected credit losses. The assets are accessed to be in stage 1. Based on this assessment, the expected losses as at 1 January 2018 were assessed as insignificant as the loss rate is deemed immaterial.

(d) Due from related parties
The Company applied the IFRS 9 general model for measuring expected credit losses (ECL) to this receivable. This requires a three-stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

The Company assessed the amounts due from related parties to determine the expected credit losses. The assets are assessed to be in stage 1. Based on the assessment, the expected losses as at 1 January 2018 is determined to be insignificant as the loss rate is deemed immaterial.

B) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The adoption of the new standard requires the Company to apply the five (5) step model for recognizing revenue. The Company assessed the impact of free goods, slotting fees, bill and hold agreements, cash back schemes, and right of return. The impact of these where considered immaterial. Therefore, there was no impact on the Company's opening retained earnings at the date of initial application (i.e. 1 January 2018).

t) New standards and interpretations not yet adopted
A number of new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

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 has reviewed its policy on leases and is expecting no material impact from the adoption of the new standard on 1 January 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 2018 is included in the following notes:

Defined benefit obligations

The cost of the defined benefit pension plan, long service awards, and other post-employment benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Income taxes and Deferred tax

The Company is subject to income taxes within Nigeria, which does not require much judgement in terms of provision for income taxes but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income are based on forecast cash flows from operations.

Impairent of financial assets

he loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed note 23.

Estimation of useful life

The estimation of the useful lives and residual values of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

4.1 Fair value measurement

Financial instruments measured at fair value

Recurring fair value measurment 2018	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Derivative asset	-	273,449	-	273,449

Recurring fair value measurment 2017	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Derivative asset	-	231,547	-	231,547

Valuation techniques used to determine fair value
In detemining the fair value of the derivative asset, the Company used the present value of future cash flows based on the forward exchange rates at the balance sheet date.

Financial instruments not measured at fair value

	2018		2017	
In thousands of naira	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	13,658,352	13,658,352	10,615,543	10,615,543
Trade and other receivables	18,920,877	18,920,877	11,413,224	11,413,224
	32,579,229	**32,579,229**	**22,028,767**	**22,028,767**
Financial liabilities				
Bank overdraft	13	13	1,943,091	1,943,091
Trade and other payables	55,460,235	55,460,235	53,719,194	53,719,194
Borrowings	6,232,932	6,232,932	13,352,991	13,352,991
	61,693,180	**61,693,180**	**69,015,276**	**69,015,276**

The fair value for cash and cash equivalents, trade and other receivables, trade and other payables are not significantly different from their carrying amount.

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the borrowings are of a short-term nature.

They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Fair value methods and assumptions

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current dirty price. These instruments are included in Level 1.

(b) *Financial instrument in level 2*
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:
(a) Quoted market prices or dealer quotes for similar instruments;

(b) Other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity , are used to determine fair value for the remaining financial instruments.

Derivative assets are included in this level.

(c) *Financial instruments in level 3*
Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers between the fair value hierarchy categories
During the three reporting periods covered by these financial statements, there were no movement between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

5. Revenue

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

In thousands of naira	**2018**	**2017**
Local	148,755,131	139,725,972
Export (Note 26 (d) (ii)	403,657	350,553
	149,158,788	140,076,525

6 Finance income and finance cost

In thousands of naira	**2018**	**2017**
Interest income on short term deposit	246,792	1,204,547
Finance income	246,792	1,204,547
Interest expense on overdrafts, loans and borrowings	(2,691,773)	(2,200,986)
Foreign exchange loss, net	(38,991)	(6,015)
Finance expense	(2,730,764)	(2,207,001)
Net finance cost	(2,483,972)	(1,002,454)

7a Analysis of expenses by nature

In thousands of naira	2018	2017
Finished goods, raw materials and consumables	103,736,867	99,500,326
Transportation cost	2,862,024	2,610,231
Technical service and royalty expenses	4,248,112	3,471,772
Advertisement and promotion costs	6,319,885	4,039,603
Market research expenses	234,065	329,900
Agency personnel cost	738,024	776,216
Employee benefit expense	7,958,366	7,797,064
Non-executive Directors' remuneration	74,350	51,394
Depreciation	2,253,162	1,850,133
Amortisation	-	9,247
(Impairment writeback)/Impairment on property, plant & equipment	(86,000)	86,146
Equipment and machinery rental	148,083	159,605
Rent of premises	275,418	264,848
Audit Fees	20,027	20,027
Non-Audit Fees to Statutory Auditors (PwC)	7,350	17,803
Professional fees	213,675	132,226
Maintenance	2,320,465	1,522,966
Fuel and gas expenses	1,155,785	1,054,419
Meeting and conference expenses	151,461	245,619
Travel and hotel expenses	265,332	481,755
Information and Communications Technology (ICT) expenses	1,196,032	988,341
Insurance expenses	574,511	374,535
(Gain) / loss on the sale of property, plant and equipment	(44,556)	246,547
Facility expenses	345,203	182,515
Bank charges	194,971	301,662
Staff welfare and development	144,783	160,218
Office administration & supplies	88,988	80,075
Donations	22,479	24,714
Total cost of sales, selling, distribution and administrative expenses	135,418,863	126,779,906
Summarised as follows in the Statement of Comprehensive Income:		
Cost of sales	118,432,934	111,942,564
Selling and distribution expenses	12,646,510	9,568,664
Administrative expenses	4,339,419	5,268,678
	135,418,863	126,779,906

7b Profit before tax

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

In thousands of naira	*Note*	**2018**	**2017**
Amortisation of intangible assets	13	-	9,247
Audit Fees		20,027	20,027
Depreciation of property, plant and equipment	12	2,253,162	1,850,133
Impairment of property, plant and equipment	12	(86,000)	86,146
Non-Executive Directors' fees	9(c)	1,908	1,590
(Gain) / loss on disposal of property, plant and equipment		(44,556)	246,547
Equipment and machinery rental		148,083	159,605
Operating lease payments - Business premises		88,993	82,785
Operating lease payments - Employee accommodation		186,425	182,063
Employee benefit expenses	9(a)	7,958,366	7,797,064
Technical service and royalty expenses	26(d)(i)	4,248,112	3,471,772

7c Rent of premises

		2018	**2017**
Operating lease payments	- Business premises	88,993	82,785
Operating lease payments	- Employee accommodation	186,425	182,063
Rent of premises		275,418	264,848

8 Other income

	2018	**2017**
Fair value gain/(loss) on derivatives	71,555	(112,721)
Loss on translation of foreign currency balances	(70,667)	(375,821)
Insurance income*	5,050,358	4,098,678
	5,051,246	3,610,136

*The insurance income in 2018 represents insurance settlement of business interuption sustained as a result of the fire incidence of 6 January 2017. (The insurance income in 2017 represents insurance settlement of material damage sustained in the same fire incidence of 6 January 2017).

9 Personnel expenses

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

	2018	**2017**
Salaries, wages and allowances*	7,257,449	7,219,742
Contributions to compulsory pension fund scheme	600,435	462,757
Employee benefits expenses	100,482	114,565
	7,958,366	7,797,064

(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:

			2018	2017
₦		₦	Number	Number
790,001	-	1,290,000	6	61
1,290,001	-	1,790,000	117	240
1,790,001	-	2,290,000	174	216
2,290,001		and above	410	162
			707	679

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

	2018	2017
	Number	Number
Production	322	325
Supply chain	50	48
Sales and Marketing	195	171
General Administration	140	135
	707	679

(c) Chairman and directors remuneration

Remuneration paid to directors of the Company was as follows:

In thousands of naira	2018	2017
Executive director*	56,855	37,994
Directors fees - Non-executive	1,908	1,590
Other emoluments (Non-executive directors)	72,442	49,804
	131,205	89,388

*The Executive Director was appointed 13 March 2017 and thus the 2017 remuneration was for 9.5months

The directors' remuneration shown above includes:

In thousands of naira	2018	2017
Chairman's fees	396	330
Chairman's gross emoluments (excluding fees)	11,481	8,800
Highest paid director	56,855	37,994

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

			2018	2017
₦		₦	Number	Number
6,000,001	-	8,000,000	3	6
8,000,001	-	10,000,000	4	1

10 Income taxes

(a) Amounts recognised in profit or loss

In thousands of naira		2018	2017
Current tax expense			
Current year income tax		3,314,188	2,241,901
Current year tertiary education tax		327,896	225,609
Writeback of excess accruals		(524,794)	-
		3,117,290	2,467,510
Deferred tax expense			
Origination and reversal of temporary differences	Note 15	1,442,161	1,401,920
Total income tax expense recognised in profit or loss		4,559,451	3,869,430

(b) Current tax liabilities

Movement in current tax liabilities during the year was as follows:

In thousands of naira			
At 1 January		2,652,564	6,424,759
Current tax expense	Note (10)a	3,117,290	2,467,510
Income tax on other comprehensive income		14,553	(8,381)
Payments in the year		(1,513,605)	(6,231,324)
WHT credit notes utilised		(60,349)	-
At 31 December		4,210,453	2,652,564

(c) Amounts recognised directly in other comprehensive income

In thousands of naira		2018	2017
Remeasurement of defined benefit liability	(Note 20(b))	(48,508)	27,934
Tax expense/(benefit)		14,553	(8,381)
		(33,955)	19,553

(d) Reconciliation of effective tax rate

In thousands of naira	2018	2018	2017	2017
Profit before income tax		16,312,453		15,885,363
		16,312,453		15,885,363
Income tax using the Company's domestic tax rate	30.00%	4,893,736	30.00%	4,765,609
Tertiary education tax	2.01%	327,896	1.42%	225,609
Tax effect of:				
Non deductible expenses	5.65%	922,397	9.36%	1,486,808
Exempt income	(2.28)%	(372,000)	(9.81)%	(1,557,921)
Prior year under/(over) provision	(3.22)%	(524,794)	-	-
Change in recognised deductable temporary differences	(3.48)%	(568,034)	(6.02)%	(956,081)
Tax incentive	(0.73)%	(119,750)	(0.60)%	(94,594)
	27.95%	4,559,451	24.35%	3,869,430

11 Earnings per share

The calculation of basic and diluted earnings per share has been based on the profit attributable to ordinary shareholders of ₦11,786,957,000 (2017: 11,996,380,000) and the weighted average number of ordinary shares outstanding of 976,335,938 (2017: 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.

	2018	2017
Profit attributable to shareholders (₦'000)	11,753,002	12,015,933
Number of ordinary shares in issue (thousands)	976,336	976,336
Basic and diluted earnings per share (Naira)	12.04	12.31

12 Property, plant and equipment

In thousands of naira	Notes	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Tools	Assets under construction	Total
Cost								
Balance at 1 January 2017		1,607,967	7,044,535	12,715,021	1,994,770	1,126,366	1,247,757	25,736,416
Additions		-	-	-	-	-	7,683,394	7,683,394
Transfers		-	405,022	3,074,074	451,534	144,628	(4,075,258)	-
Impairment loss		-	-	(86,146)	-	-	-	(86,146)
Disposals		-	(32,094)	(314,105)	(40,148)	(1,153)	-	(387,500)
Adjustments**		-	112,040	(674,205)	(16,697)	51,260	476,307	(51,295)
Balance at 31 December 2017		1,607,967	7,529,503	14,714,639	2,389,459	1,321,101	5,332,200	32,894,869
Balance at 1 January 2018		1,607,967	7,529,503	14,714,639	2,389,459	1,321,101	5,332,200	32,894,869
Additions		-	-	-	-	-	6,335,599	6,335,599
Transfers		-	519,950	3,828,823	1,134,859	244,071	(5,727,703)	-
Impairment writeback		-	-	86,000	-	-	-	86,000
Disposals*		-	-	(22,723)	(214,898)	(647)	-	(238,268)
Balance at 31 December 2018		1,607,967	8,049,453	18,606,739	3,309,420	1,564,525	5,940,096	39,078,200
Depreciation								
Balance at 1 January 2017		332,159	1,416,980	4,604,564	950,236	513,833	-	7,817,772
Depreciation for the year		64,556	354,254	782,199	476,156	172,968	-	1,850,133
Disposals		-	(31,054)	(72,520)	(22,048)	(440)	-	(126,062)
Adjustments**		-	(31,844)	(47,128)	12,656	15,022	-	(51,294)
Balance at 31 December 2017		396,715	1,708,336	5,267,115	1,417,000	701,383	-	9,490,549
Balance at 1 January 2018		396,715	1,708,336	5,267,115	1,417,000	701,383	-	9,490,549
Depreciation for the year		65,031	371,501	1,040,125	574,062	202,443	-	2,253,162
Disposals*		-	-	(5,965)	(164,635)	(357)	-	(170,957)
Balance at 31 December 2018		461,746	2,079,837	6,301,275	1,826,427	903,469	-	11,572,754
Carrying amounts								
At 31 December 2017		1,211,252	5,821,167	9,447,524	972,459	619,718	5,332,200	23,404,320
At 31 December 2018		1,146,221	5,969,616	12,305,464	1,482,993	661,056	5,940,096	27,505,446

*₦214.9 million of the assets disposed (total disposal value is ₦238.3 million) relates to motor vehicles sold to Key Business Partners and scrapped cars sold to staff. This resulted in an asset disposal gain of ₦35.6 million (Total disposal gain is ₦46.8 million).

**Adjustments made in 2017 were a result of asset verification carried out in 2017.

(aii) The result on disposal of Property, Plant and Equipment is as follows:

In thousands of naira	Buildings	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Tools	Total
2017					
Cost	32,094	314,105	40,148	1,153	387,500
Net book value at Disposal	1,040	241,585	18,099	713	261,437
Sales Proceeds	-	-	14,414	477	14,891
Profit/(Loss) on Diposal	(1,040)	(241,585)	(3,686)	(236)	(246,547)
2018					
Cost	-	22,723	214,898	647	238,268
Net book value at Disposal	-	16,758	50,263	290	67,311
Sales Proceeds	-	43,100	70,572	442	114,114
Profit/(Loss) on Diposal	-	26,342	20,309	152	46,803

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

In thousands of naira	2018	2017
Buildings	320,346	132,928
Plant and machinery	4,101,015	6,777,461
Others	1,914,238	773,005
	6,335,599	7,683,394

At year end, the Company had various ongoing capital projects which included plant & building upgrades and expansion of factory capacity. The projects are expected to be completed in 2019.

No borrowing costs were capitalised in the current year as the assets were not funded through interest bearing borrowings (2017: ₦115 million).

(c) Capital commitments
The approved capital expenditure already committed as at reporting date was ₦1.8 billion (2017: ₦1.5 billion). Capital expenditure approved not contracted amounted to Nil (2017: Nil). Capital expenditure will be funded from the Company's internal resources.

(d) Assets pledged as security
There was no property, plant and equipment that was pledged as security for borrowings at year-end (2017: 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:

In thousands of naira	2018	2017
Cost	1,607,967	1,607,967
Accumulated depreciation	(461,746)	(396,715)
Carrying amount	1,146,221	1,211,252

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.

13 Intangible assets

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

In thousands of naira	2018	2017
Cost		
Balance at 1 January	164,349	164,349
Additions	-	-
Balance at 31 December	164,349	164,349
Amortisation and impairment losses		
Balance at 1 January	164,349	155,102
Amortisation for the year	-	9,247
Balance at 31 December	164,349	164,349
Carrying amounts		
At 1 January	-	-
At 31 December	-	-

14 Prepayments

In thousands of naira		2018	2017
Employee accommodation		93,017	117,951
Business premises		95,275	111,329
Deposit for imports	Note 14 (a)	6,371,430	12,881,865
Insurance		825,663	523,470
Balance at 31 December		7,385,385	13,634,615
Non current prepayments	Note 14 (b)	34,141	36,477
Current prepayments	Note 14 (b)	7,351,244	13,598,138
		7,385,385	13,634,615

(a) Deposit for imports represents prepayments for imports made to the bank by the Company (₦2.38 billion in 2018 and ₦9.06 in 2017) and GMT Limited (₦3.99 billion in 2018 and ₦3.82 billion in 2017) ; 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.

15 Deferred tax liabilities

Deferred tax liability/(asset)

In thousands of naira	2018	2017
Property, plant & equipment	4,194,323	3,362,089
Employee benefit	(195,379)	(196,278)
Foreign exchange loss	(226,258)	(812,516)
Foreign exchange gain	385,458	362,689
Net deferred tax liability	4,158,144	2,715,984

	Property, plant & equipment	Employee benefit	Foreign exchange loss	Foreign exchange gain	Total
Balance 1 January 2017	2,850,803	(167,721)	(1,737,778)	368,760	1,314,064
Recognised in profit or loss	511,286	(28,557)	925,262	(6,071)	1,401,920
Balance 31 December 2017	3,362,089	(196,278)	(812,516)	362,689	2,715,984
Recognised in profit or loss	832,234	899	586,258	22,769	1,442,160
Balance 31 December 2018	4,194,323	(195,379)	(226,258)	385,458	4,158,144

At 31 December 2018, there is no unrecognised deferred tax asset or liability (2017: Nil).

16 Inventories

In thousands of naira	2018	2017
Raw and packaging material	6,234,742	3,681,681
Finished goods	2,475,553	8,394,405
Goods in transit	12,634,491	20,522,860
Spare parts and tools	2,382,516	1,805,624
	23,727,302	34,404,570
Inventories are stated after deducting allowance for obsolescence amounting to:	129,621	99,406

17 Trade and other receivables

In thousands of naira		2018	2017
Trade receivables		11,341,173	7,870,292
Insurance claim receivable		5,054,856	1,542,944
Due from related parties	Note 26 (d)	288,397	265,568
Other receivables	Note 17 (i)	2,236,451	1,734,420
Trade and other receivables		18,920,877	11,413,224

(i) This includes prepayments made by the Company to vendors amounting to ₦1.06 billion during the year (2017: ₦1.26 billion). The Company's exposure to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 23.

18a Derivatives

In thousands of naira	2018	2017
Derivative assets	273,449	231,547

The derivative asset arose from forward contracts entered with respect to the foreign currency funding of Letters of Credit (LC). These LCs were opened for the importation of raw materials and finished goods.

Derivative assets are reported at fair value and are expected to be realised within the next 12 months.

18b Cash and cash equivalents

In thousands of naira	2018	2017
Cash and bank balances	6,908,978	5,743,072
Short term deposits	6,749,374	4,872,471
Cash and cash equivalents	13,658,352	10,615,543

18c

Overdraft	(13)	(1,943,091)
Net cash and cash equivalents in the statements of cash flows	13,658,339	8,672,452

i. Bank overdraft represents the amount drawn down by the Company as at year end from the overdraft line amounting to ₦2.5billion received from GTBank PLC. The Company also had overdraft lines amounting to ₦3.1 billion from Citibank Nigeria PLC, ₦2.5billion from Access bank, ₦0.5 billion from Union Bank, ₦2.6 billion from Stanbic IBTC, ₦0.1billion from First Bank, ₦1billion from Access Bank and ₦2.7billion from Zenith Bank which were not drawn down as at year end. The overdraft lines were on an average interest rate of 18%.

ii. The Company's exposure to credit and currency risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 23.

19 Capital and reserves

(a) Ordinary shares

(i) Authorised ordinary shares of ₦0.50 each

In thousands of naira	**2018**	**2017**
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

In thousands of naira	**2018**	**2017**
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)	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.

(b) Dividend payable

Movement in dividend payable

In thousands of naira		**2018**	**2017**
At 1 January		4,954,867	9,351,076
Declared dividend		9,695,017	9,665,726
Payments		(3,463,979)	(14,061,935)
At 31 December	Note 21	11,185,905	4,954,867

The dividend payable includes ₦10.84 billion (2017: ₦4.75 billion) that could not be paid to the foreign shareholders due to the unavailability of foreign currency.

20 Employee benefit liabilities

In thousands of naira	**2018**	**2017**
Long service award benefits obligation	477,010	461,641
Other post employment benefits	133,457	151,727
	610,467	613,368

i. Long service award relates to benefits given to staff based on their length of service in the Company. This benefit is in the form of cash and gift items.

ii. 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 Ernst & Young.

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 O. O. Okpaise of Ernst & Young with FRC registration number of FRC/2012/NAS/00000000738.

The employee benefit liabilities expose the Company to actuarial risks such as longevity risk and interest rate risk. There are no plans to terminate these benefits.

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

In thousands of naira	Note	2018	2017
At 1 January		461,641	405,735
Included in profit or loss			
Current service costs		56,923	48,462
Interest cost		62,214	60,932
Actuarial loss/(gain)		(58,344)	(17,287)
		60,793	92,107
Other			
Benefit paid during the year		(45,424)	(36,201)
At 31 December		477,010	461,641

(b) Movement in other post employment benefits

In thousands of naira	Note	2018	2017
At 1 January		151,727	118,393
Included in profit or loss			
Past service cost (plan amendment)			
Current service costs		18,721	13,966
Interest cost		20,968	17,989
Included in other comprehensive income			
Actuarial loss/(gain)		(48,508)	27,934
		(8,819)	59,889
Other			
Payments during the year		(9,451)	(26,555)
At 31 December		133,457	151,727

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

	2018	2017
Cumulative amount at 1 January	417,238	389,304
(Gain)/Loss recognised during the year	(48,508)	27,934
Cumulative amount at 31 December	368,730	417,238

(d) Actuarial assumptions

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

Long service award: The weighted average liability duration for the Plan is 8.29 years (2017: 9.71 years)

Other post emploment benefits: The weighted average liability duration for the Plan is 15.41 years (2017: 14.44 years)

Financial Assumptions

	2018	2017
Long-term Average Discount rate (p.a.)	16%	14%
Long-term Average Future Pay Increase (p.a.)	14%	14%
Long-term Average Future Rate of Inflation (p.a.)	12%	12%

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. The number of deaths in the year of age out of 10,000 lives is shown below

Sample age	2018	2017
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	Rate	
	2018	2017
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%

(e) 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 benefit	
		2018	**2017**	**2018**	**2017**
Discount rate	-1%	149,012	171,527	512,225	500,456
	1%	120,013	134,813	445,530	427,281
Salary increase rate	-1%	-	-	450,925	438,610
	1%	-	-	505,706	487,165
Inflation rate	-1%	118,917	133,790	468,733	447,921
	1%	150,123	172,482	486,268	477,048
Mortality	Age rated up by 1 year	133,609	151,788	475,270	459,836
	Age rated down by 1 year	133,300	151,670	478,576	463,263

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.

(f) Risk exposure

(a) Inflation risk

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

(b) Retirement age of employee

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

21 Trade and other payables

In thousands of naira	Note	**2018**	**2017**
Trade payables		6,276,314	5,675,312
Other payables and accruals		5,209,165	3,636,857
Amount due to related parties	Note 26 (d)	32,876,955	39,540,261
Dividend payable	Note 19 (b)	11,185,904	4,954,867
		55,548,338	53,807,297

During the year, cash amounting to ₦149.69 million (2017: ₦185.91 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. This value is included in dividend payables shown in Note 21

22 Loans and borrowings

In thousands of naira	Note	**2018**	**2017**
Intercompany loan	Note 22 (a)	4,327,732	4,033,926
Short Term Finance	Note 22 (b)	1,905,200	8,418,715
GMT Nigeria Limited	Note 22 (c)	-	900,350
		6,232,932	13,352,991

(a) Intercompany loan: This represents short term line of credit with a draw-down period of 4 years(2018-2021). The loan of USD 11.90 million received from FrieslandCampina B.V., Netherlands at interest rate of 7.47% (2017: Intercompany loan of USD 11.19 million at interest rate of 6.37%).

(b) This represents dollar line trade finance of ₦1.91 billion obtained from six banks - First Bank: ₦1.02billion, Guaranty Trust Bank: ₦0.12billion, CITI Bank: ₦0.36billion, UBA: ₦0.25billion and Coronation Bank: ₦0.16billion).The interest rate was 8% for the Dollar lines. (2017: Short term finance of ₦1.14 billion obtained from First Bank, ₦2billion obtained from Guaranty Trust Bank, and Dollar line finance of ₦2.79billion from CITI Bank and N2.17billion from UBA.

(c) Borrowings amounting to ₦900million in 2017 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. The payment term is thirty (30) days from the invoice date. Interest is charged at the rate of 19.0%.

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, cash and cash equivalents and derivative assets.

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.

Financial assets at amortised cost
As part of its stretegic relationship with its customers, the Company provides credit to its key customers. 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 and bank guarantees provided to the Company by the 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.

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
Credit risk extract for trade receivables
As at 31 December 2018

Age of trade receivables	Current ₦'000	0 - 7 days ₦'000	8 - 15 days ₦'000	16 - 30 days ₦'000	31 - 90 days ₦'000	Above 90 days ₦'000	Total ₦'000
Gross carrying amount	4,555,935	2,572,006	1,609,933	1,951,625	537,291	244,832	11,471,621
Unsecured receivables	4,240,738	2,130,231	1,134,197	1,262,818	147,560	130,385	9,045,929
Loss rates	0.10%	0.50%	1.50%	2.50%	10%	40%	
Lifetime ECL	(4,241)	(10,651)	(17,013)	(31,570)	(14,756)	(52,218)	(130,449)
Net carrying amount	4,551,693	2,561,355	1,592,920	1,920,055	522,535	192,614	11,341,172

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

Carrying amount

In thousands of naira	2018	2017
Balance at 1 January	135,703	116,766
Impact of initial application of IFRS 9	-	-
Impairment (writeback)/recognised	(5,254)	18,937
Balance at 31 December	130,449	135,703

Reconciliation of the gross carrying amount for trade receivable assessed for impairment as follows:

	Trade receivables ₦'000
Gross carrying amount as at 1 January	7,772,723
Receipts during the year	(145,459,889)
Additions during the year	149,158,788
Gross carrying amount as at 31 December	11,471,622

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.

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 ₦15 billion for the overdraft facility (Note 18(c)) and USD 216 million for import facility (2017: ₦14 billion for the overdraft facility USD 150 million for import facility). Total facility utilized as at year end amounted to ₦13 thousand for overdraft and USD 5.2 million for import facility (2017: ₦1.9 billion for overdraft and USD 90 million for import facility).

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

31 December 2018

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank overdraft	13	13	13	-	-	-
Trade and other payables	55,548,338	55,548,338	55,548,338	-	-	-
Loans and borrowings	6,232,932	6,232,932	6,232,932	-	-	-
	61,781,283	61,781,283	61,781,283	-	-	

31 December 2017

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank overdraft	1,943,091	1,943,091	1,943,091	-	-	-
Trade and other payables	53,807,297	53,807,297	53,807,297	-	-	-
Loans and borrowings	13,352,991	13,352,991	13,352,991	-	-	-
	69,103,379	69,103,379	69,103,379	-	-	-

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

(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 financial instruments 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:

	2018		2017	
Amounts in thousands	Euro	USD	Euro	USD
Cash and cash equivalents	351	454	2	2,460
Trade and other receivables	80	906	-	868
Trade and other payables	(31,517)	(65,886)	(24,878)	(113,591)
Loans and Borrowings	(262)	(4,941)	-	(14,632)
Net exposure	(31,348)	(69,467)	(24,876)	(124,895)

The following significant exchange rates applied during the year;

	Average rate		Year end spot rate	
	2018	2017	2018	2017
Euro	435.33	349.88	416.87	429.13
United states dollar (USD)	360.70	320.21	363.54	360.49

iii. Sensitivity analysis

A 10 percent (2017:10 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	2018	2017
	Profit or (loss)	Profit or (loss)
Euro	1,306,801	1,067,501
USD	2,525,404	4,502,377

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.

(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.

In thousands of Naira	2018	2017
Variable rate instruments		
Short term deposits - financial assets	6,749,374	4,872,471

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 2017. The change would not affect equity.

	2018		2017	
			Profit or loss	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
Variable rate instruments	47,246	(47,246)	34,107	(34,107)
Cash flow sensitivity (net)	47,246	(47,246)	34,107	(34,107)

(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	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortised cost				
Loans and receivables	18,920,877	18,920,877	11,413,224	11,413,224
Cash and cash equivalents	13,658,352	13,658,352	10,615,543	10,615,543
	32,579,229	32,579,229	22,028,767	22,028,767
Liabilities carried at amortised cost				
Trade and other payables	55,548,338	55,548,338	53,807,297	53,807,297
Loans and borrowings	6,232,932	6,232,932	13,352,991	13,352,991
	61,781,270	61,781,270	67,160,288	67,160,288

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.

(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:

	2018	2017
In thousands of naira		
Total liabilities	70,760,347	75,085,295
Cash and cash equivalents	(13,658,352)	(10,615,543)
Net debt	57,101,995	64,469,752
Total equity	20,710,464	18,618,524
Debt to capital ratio at December 31	2.76	3.46

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 the 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:

In thousands of naira	2018	2017
Staff car loans	19,022	34,161
Staff housing loans	129,349	140,539

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 seven lawsuits pending against the Company in courts 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 ₦1.76 billion (2017: N717.5 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.

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% (2017: 67.81%) shareholding.

(b) 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:

In thousands of naira	2018	2017
Short-term employee benefits	286,493	251,592
Contribution to compulsory pension fund scheme	11,915	10,978
Long-term employee benefits	5,957	5,488
	304,365	268,058

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 0.41 percent (2017: 0.41 percent of the company's issued share capital).

(d) Other related party transactions

(i) *In thousands of naira*

Related Party	Nature of transaction	Transaction value for the year 2018	Transaction value for the year 2017	Balance outstanding at year-end (Note 21) 2018	Balance outstanding at year-end (Note 21) 2017
Friesland Brands B.V., Netherlands	Royalty expense (Note (e)(i))	4,248,112	3,471,772	4,025,793	1,376,915
FrieslandCampina B.V., Netherlands	Purchases (Note (e)(ii))	72,946,936	64,823,807	28,851,162	38,163,346
		77,195,048	68,295,579	32,876,955	39,540,261

(ii) **Receivables and sales**

Related Party	Nature of transaction	Transaction value for the year 2018	Transaction value for the year 2017	Balance outstanding as at year-end (Note 17) 2018	Balance outstanding as at year-end (Note 17) 2017
Friesland Export West Africa, Netherlands	Sales (Note (e)(iii))	403,657	350,553	288,397	265,568
		403,657	350,553	288,397	265,568

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

(e) Transactions with related parties

The Company has a Know-How and Trade mark agreement; and Research and Development Technical Know-How agreement with FrieslandCampina Nederland B.V., 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 ₦4.24 billion (2017: ₦3.47 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 FrieslandCampina Nederland B.V.

Details of the NOTAP certificates are listed below:
- File number NOTAP/AG/MN/126/17/106 with a limit not exceeding ₦4.13 billion
- File number NOTAP/AG/MN/126/16/286 with a limit not exceeding ₦2.99 billion (extension of
- File number AG/MN/126/16/57 with a limit not exceeding ₦4.69 billion)
- File number NOTAP/AG/MN/126/18/81 with a limit not exceeding ₦2.45 billion

(ii) The Company also entered into transactions with FrieslandCampina Nederland B.V., for the purchase of finished products, raw materials, spare-parts and technical support.

(iii) The Company exports milk products to Ghana, Ivory Coast and Sierra Leone through Friesland Export West Africa, Netherlands.

27. Subsequent events

Subsequent to the reporting date, the Board of Directors recommended a dividend of ₦6.36 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 2018 that have not adequately been provided for or disclosed in the financial statements.

The Business Interruption insurance claim relating to the 2017 fire was closed at a total claim value of ₦5.89 billion. Cash inflow of about 85% of the ₦5.89 billion has been received.


Peak
SINCE 1954
Chocolate
SATISFY THE HERO IN YOU
COCOA
MILK
3in1
VIT & MINERALS
Reach for your Peak
Chocolate
JUST ADD WATER!

Other national disclosure

Value added statement

for the year ended 31 December 2018

In thousands of naira	2018 ₦'000	%	2017 ₦'000	%
Revenue	149,158,788		140,076,525	
Brought in materials and services				
- Local	(39,456,895)		(16,819,413)	
- Imported	(80,659,985)		(96,732,404)	
	29,041,908		26,524,708	
Finance Income	246,792		1,204,547	
Value Added	29,288,700	100	27,729,255	100
Distribution of Value Added:				
To Government as:				
- Government as taxes	4,559,451	16	3,869,430	14
To Employees:				
- Employees as wages and salaries and end of service benefits	7,958,366	26	7,797,064	28
To Providers of Finance:				
- Finance costs	2,730,764	9	2,207,001	9
- Interim dividends	2,841,138	10	2,147,939	7
Retained in the business:				
- Depreciation of tangible assets	2,253,162	9	1,850,133	7
- Amortisation of intangible assets	-	-	9,247	-
- Proposed dividends	6,208,674	21	6,849,346	24
- To augment reserves	2,737,145	9	2,999,095	11
	29,288,700	100	27,729,255	100

Five-year financial summary

for the year ended 31 December 2018

In thousands of naira	2018	2017	2016	2015	2014
Funds Employed					
Share Capital	488,168	488,168	488,168	488,168	488,168
Share Premium	350,211	350,211	350,211	350,211	350,211
Retained Earnings	19,872,085	17,780,145	15,449,491	14,006,270	8,720,870
Shareholder's Fund	20,710,464	18,618,524	16,287,870	14,844,649	9,559,249
Current Liabilities	65,991,736	71,755,943	54,731,207	47,317,337	34,785,390
Non-current Liabilities	4,768,611	3,329,352	1,838,192	4,801,563	5,623,568
	91,470,811	93,703,819	72,857,269	66,963,549	49,968,207
Asset Employed					
Non Current assets	27,539,587	23,440,797	17,948,410	18,186,581	16,684,991
Current assets	63,931,224	70,263,022	54,908,859	48,776,968	33,283,216
	91,470,811	93,703,819	72,857,269	66,963,549	49,968,207

In thousands of naira	2018	2017	2016	2015	2014
Revenue	149,158,788	140,076,525	123,749,286	120,716,682	126,436,219
Profit before income tax	16,312,453	15,885,363	19,963,190	18,615,978	16,499,920
Profit for the year	11,753,002	12,015,933	13,862,217	13,346,803	10,731,278
Other comprehensive income, net of tax	33,955	(19,553)	-	32,421	(452,250)
Per ₦0.50 share data:					
Basic earnings per share	12.04	12.31	14.20	13.67	10.99


Garden City
Singapore

Peak Filled Milk provides calcium, vitamin D, phosphorus and protein which are essential for Bone Health

Osteoporosis is a condition common among the elderly where the structure of bone becomes thin causing it to become fragile and easily fractured or broken.

Researchers have estimated that the number of hip fractures that could be prevented per year among elderly in various countries have been associated to including additional dairy products such as milk to diets.

Normal bone is made up of a mixture of calcium and other minerals including magnesium, phosphate and protein that forms the physical framework of bone.

Peak Filled Milk provides calcium, vitamin D, phosphorus and protein which are essential for the maintenance of healthy bones. Calcium, phosphorus and protein contribute to the normal growth and development of bones and can help protect against the development of bone diseases later in life.

Vice President, Yemi Osinbanjo receives Royal FrieslandCampina CEO, Hein Schumacher

Hein Schumacher on September 7 led FrieslandCampina delegation on a business visit to Vice President, Yemi Osinbajo (SAN) at the Presidential Villa.

The delegation included the President, Consumer Dairy, Roel van Neerbos, Managing Director, FrieslandCampina WAMCO, Ben Langat, Netherlands Ambassador to Nigeria, Robert Petri, Chairman, Board of Directors, FrieslandCampina WAMCO, Jacobs Ajekigbe, Corporate Affairs Director, FrieslandCampina WAMCO, Ore Famurewa, Dairy Development Manager, Olayiwola John and Dairy Farmers, Musa Galadima and Moyosore Rafiu.

At the meeting, Hein Schumacher emphasized FrieslandCampina's commitment to the Dairy Development Programme and plans to expand programme in order to provide fresh milk for Nigerians.

The Vice President commended the drive and assured the company of Federal Government's readiness to support its plans in actualizing set business objectives.

A brighter future for dairy farmers

In August, 18 DDP farmers from Fasola, Iseyin, Alaga, Saki and Maya communities visited our factory in Lagos to observe the processes of manufacturing milk and see first-hand how their milk is utilised in the value chain.

The visit provided for the farmers the bigger picture of dairy farming in Nigeria, stimulating the right support for the Dairy Development Programme.

Farm safety awareness program

Dairy farmers in DDP operational areas participated in a Farm Safety Awareness program. The objective is to improve productivity and efficiency by promoting safe farm practices. Safety equipment were distributed to the farmers to support the safety campaign.

Farmer2Farmer mission to Nigeria

Expert Dutch dairy farmers on a two-weeks training for local dairy farmers, under the Farmer2Farmer programme, shared their knowledge on farm safety and Good Farming Practice.

They trained the farmers on practical, easy-to-comprehend techniques that will enable them run a safe and improved smallholding, beneficial both to people and livestock.

FrieslandCampina WAMCO started the Farmer2Farmer programme in 2016 in Nigeria and we can say that combining our strengths is helping to bring about positive growth in the local dairy sector, especially where quality and productivity are concerned. The Farmer2Farmer programme is helping local farmers to make real progress, which is why we energetically embarked on the second round of the programme.

950 women empowered through DDP

FrieslandCampina WAMCO's DDP has strongly demonstrated that SDGs can be achieved only when the process is genuinely inclusive. Together, with our partners, we have empowered traditional pastoralists with modern animal husbandry methods, connected them to a guaranteed market with fair prices; and ensured that everyone in the community participates in problem-solving. DDP has improved food security and nutrition and hugely improved the livelihoods of female local dairy farmers created more resilient rural communities, fewer conflicts between crop farmers and pastoralists, and a brighter future for young people in small-scale agriculture.

The DDP emphasizes inclusion: the formal and informal dairy sectors, public and private sector partners, joined hands to find new solutions for old challenges. It places special emphasis on women, recognizing their role in dairy farming and the barriers they face.

The programme has indeed been a success. So far, 950 women have been upskilled through training, enterprepreneurship and skill acquisition programme.

DDP makes contribution to SDG's 1, 2, 5, 8, 12 and 17.

NOTAP delegates visit DDP sites

Delegates from National Office for Technology Acquisition and Promotion (NOTAP) visited DDP facility at Fasola and Iseyin. The officials were accompained by the two PhD students under FrieslandCampina WAMCO's PhD fellowship partnership with NOTAP.

Visit of Audit Committee to DDP sites

World Bank visits MBC Iseyin

Delegates from World Bank, Oyo state Ministry of Agric and FMARD paid a visit to the Milk Bulking Center (MBC), Iseyin. The visit was in view of the preparation towards the establishment of a cattle ranch in Oyo State by the Federal Government. The aim is to Integrate DDP into Federal Government planned cattle ranching programme.

Visit of Iseyin Grammar School students to the MBC, Iseyin

FDOV project

Training on Cooperative Management was conducted for farmers in Saki, Iseyin and Oyo. They formed a cooperative and elected their management and advisory members.

20 farmers were selected, trained, organized and registered into dairy cooperative with Oyo State government in conjunction with DDP partners.

Categorized into 4 master farms and 16 commercial dairy farmers, the farmers will practice sustainable dairy farming with crossbreds with a view to significantly improve quality and yield per cow.

Pecadomo Chef in You

Peak is a household name in Nigeria. We don't just nurture and nourish, we are equally innovative in the way we engage with our consumers. It is this spirit of innovation that gave rise to Pecadomo which has over the past 2 years, given the brand more visibility and increased consumption.

To further drive penetration and brand love for the Peak brand, the Pecadomo Chef-in-you cooking show was organized. We got some celebrities to come together for a cooking show where they were asked to prepare Pecadomo meals for their mothers/mother figures. This was a way to celebrate these mums and show them appreciation for all they have done.

The Celebrities were paired in twos and given the same ingredients to cook with. The Mums while blindfolded, were then asked to taste the meals and decide which is tastier. The celebrities featured include Linda Ejiofor, Ibrahim Suleiman, Kiss Daniel, Eniola Badmus, Abimbola Craig and a total of 10 episodes were filmed. They were posted online and the views were incredible.

The Pecadomo Chef in You culminated in the Pecadomo Mother's Day Fest. This engagement increased the brand's top of mind awareness and further entrenched Peak milk's place in the heart of our consumers.

Pecadomo Mother's Day Fest

Mothers play unique roles in the family. They are the burden bearers and nurturers. From conception through all of life's journeys mums are always there to love, care and protect.

For these reasons and more, the last Sunday in the month of March has been set aside to celebrate Mums for their awesome sacrifices. Peak milk was not left out. Mother's Day 2018 was celebrated with fanfare and excitement through the Pecadomo Mother's Day Fest. Before the D-Day, customers who bought the Peak special multi-pack got a free invite to the event.

Scores of Lagos residents converged at Johnson Jakande Tinubu Park, Alausa, Ikeja to celebrate their Mums with us. Some of our brand ambassadors including Linda Ejiofor were around to celebrate with us. The audience got the chance to sample Pecadomo meals as well as participate in some games and win prizes. The highlight of the event was when Kiss Daniel hit the stage and thrilled the audience. He was warmly received as everyone sang along with him and gyrated to the music.

Pecadomo Buka activation

With the aim to drive more Nigerians to imbibe and adopt the practice of nourishing their meals with Peak Milk, a Pecadomo Buka Activation was organized.

What did this entail? We visited up to 25 Bukas with high footfall in 5 major cities across the country. To demonstrate this and bring the versatility of Peak milk to life, AY the comedian went around the Bukas, prepared the meals and served the customers.

The Pecadomo train started in Lagos and visited Bukas like Amala Shitta, Police College, White House, Ghana High, Iya Koyo etc. We also made stops at major Bukas in Abuja, Edo, and Enugu. The acceptance and love was huge and overwhelming. Customers who patronize these Bukas were encouraged to try out these Pecadomo meals with the hope that going forward, they will adopt the usage of the product.

To begin the campaign, we released a couple of visuals to drive traction. By the time the campaign was revealed, it was warmly received. We also got influencers to jump on the conversation and overall, the activation was a success.

World Milk Day

Raise a glass with the **Milk of Naija**

As Nigeria's foremost dairy brand FrieslandCampina WAMCO has consistently been at the frontiers of educating the public about the health benefits of Peak milk. World Milk Day gave the brand another opportunity to educate Nigerians on the importance of a dairy rich diet and the versatility of milk using Pecadomo as a platform.

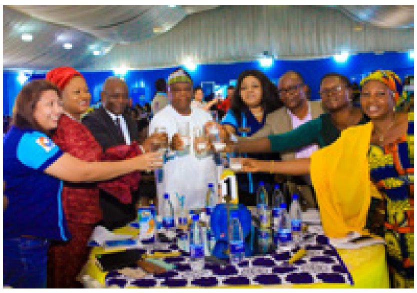
To celebrate World Milk Day in 2018, the theme – 'Raise a glass with the milk of Naija' was used in a weeklong event that culminated on the 1st of June. The campaign began with the visit to local diary farmers at Iseyin on the May 25th. The aim of the event was to celebrate the farmers and further educate them on the importance of milk. The engagement themed "It starts from the farm" delivered in partnership with the Nutrition Society of Nigeria (NSN) emphasized the invaluable contribution of dairy farmers in ensuring consumers have wholesome milk for daily nutrition. The celebration also extended to the pupils of Fashola Community Primary School, a small school of about 300 school children. There we shared the magic of milk for stronger bodies and sharper minds via a fun aerobic dance session.

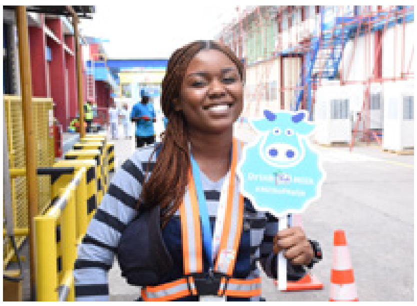
The brand also stormed the markets to engage with key distributors and retailers in General Trade and Open Market to educate them on the goodness of dairy. On Children's Day, over 2000 children and their parents, participated in the children's Day party hosted at the JJT Park. A 10ft Peak Choco cup was unveiled and children enjoyed the Pecadomo Junior Cooking Contest.

World Milk Day gave the brand another opportunity to educate Nigerians on the importance of a dairy rich diet and the versatility of milk using Pecadomo as a platform.

On June 1st, World Milk Day, the brand raised her glass with Health Care Practitioners via a symposium to create a national discussion on the goodness of milk, its nutritional benefits, and the importance of an active lifestyle.

The event was attended by 200 healthcare practitioners including General Practitioners, Nutritionists, Geriatrics, Cardiologists, Dieticians and Nurses.





Peak 456- supporting your child's development

In 2018, Peak 456 Growing Up Milk doubled its efforts to educate parents and caregivers on the importance of specialized nutrition for growing up children.

The Peak 456 Drink Move Be Strong Pre-School Program in partnership with the Nutrition Society of Nigeria (NSN) expanded to eight more states, reaching 45,000 children, to drive healthy eating and active lifestyle habits among children.

Teachers were equipped with the right knowledge and tools on nutrition and exercise, and after being trained, passed on this knowledge to their pupils. Children who participated in the program were given free samples of Peak 456 Growing Up Milk.

In addition, the Drink Move Be Strong competition was rolled out on digital platforms to grow awareness for the brand and emphasize the importance of exercise.

Peak 456 Growing Up Milk remains committed to supporting child development through education of parents and caregivers on the critical role nutrition plays in children's early years.

Peak 456 and ATP partner on Nutrition outreach

In commemoration of Nigeria's 58th Independence celebration, Peak 456 partnered with Ask the Pediatricians (ATP) Foundation to deliver nutrition assessment and support for over 5,000 children across Lagos, Kwara, Abuja and Abeokuta. According to Zatur Hassim, Head of Specialized Nutrition, these outreaches were deployed not just to conduct health checks on children but also to teach parents how to identify nutrition deficiencies and mitigate their prevalence. These efforts also demonstrate corporate citizenship as the programme promotes well-being and partnerships for development, which align with the United Nations Sustainable Development Goals.

Milkubator: Innovating the Start-Up Way

At FrieslandCampina WAMCO, we are accelerating our innovation process. In 2018, we paid a great deal of attention to shortening the lead time required to bring a product to market. We refer to this as the Milkubator approach – one that is heavily reliant on consumer insights, with a nimbler test-and-learn approach that embraces experiments, outside-in thinking and speed to market launch.

We are passionate to unlock further the goodness of milk and are curious about how our consumers are changing and how to optimize the value created with this change.

The Milkubator team, applies the principles of a lean start-up model to the development and marketing of new-to-world, new-to-category products. The journey started in April, 2018 with series of trainings, product developments and testing. The team started with five initial concepts across the food and beverage category, all centred on improving the quality of life of Nigerians. These have now streamlined the winning concept which is aimed at changing the nutritional narrative in the country.

Milkubator is our way of discovering what consumers really want, in an accelerated process. The lean start-up programme enables us to develop new products that place consumers and customers first.

Compass for good business conduct

FrieslandCampina WAMCO Nigeria PLC strives to ensure that employees, business partners and other stakeholders are conformed to ethical business practice and conduct. Hence, the adoption of COMPASS.

Compass is our guide to good business conduct and practice, in accordance with FrieslandCampina's ethics. Therefore, Compass basically informs, teaches, directs all employees and stakeholders on expectations and obligations, which drives the culture of the organization to excellent reputation and future success.

The basic values of Compass are elaborately discussed under 14 Umbrella topics. These topics include; Doing Honest business, Fraud prevention, Conflict of interest, Human rights, which have been extensively discussed company-wide, particularly during the year under review.

The essence of cascading these Compass topics not only to employees, but other stakeholders, is for all our business partners to be adequately informed of our business practices, which is targeted at developing a corporate FrieslandCampina culture worth emulating across board. Moreover, the Company is poised at ensuring that the entire Compass topics are completely and gradually cascaded for compliance.

In support of the 14 topics developed under Compass, a 'Speak Up' policy which is the Whistle Blowing channel of the Company was also established, to encourage employees/ Stakeholders to Speak Up and stand against all forms of malpractice in the Company. Employees/Stakeholders are encouraged to Speak Up when they have concerns about a suspected violation of Compass to help improve our Company in doing business the right way.

Additionally, Employees are enjoined to discuss openly with the Local Trusted Representative (LTR). This has significantly been embraced by employees who have utilized the Speak Up Channels to address and eliminate any violation of Compass. As a result, the Company's culture has surged positively, impacting on its performance and credibility.

A Heart Check for Three Crowns Milk

The Board of Trustees and the Executive Council of the Nigerian Heart Foundation has endorsed Three Crowns milk with the Heart Check logo. This means that Three Crowns Milk is officially a heart friendly food in Nigeria.

Through this partnership, Three Crowns and the Nigerian Heart Foundation will promote and support Nigerians to live healthy lives. This is significant because Three Crowns is the first dairy brand in Nigeria to be endorsed with the Heart Check logo. Nigerian Heart Foundation is a non-profit and non-governmental organization founded in 1992 to promote heart health, scientific research in cardiovascular health, healthy lifestyles and advocacy on heart-related issues. The Nigerian Heart Foundation (NHF) Heart Check Food Labelling Programme supports national initiatives for healthier food choices, through endorsement of the positive Heart Check logo on food products which are certified to be healthy and heart friendly.

Three Crowns helping mums keep fit with fitness challenge

The #TC30DaysFitnessChallenge campaign encourages consumers, especially mums to create fun ways to live a healthy lifestyle by cultivating healthy habits via exercise and diet into every moment irrespective of what they do and what they take. It is a digital led campaign supported on radio and whatsapp.

Consumers are encouraged to workout with whatever materials they have like buckets, kegs or do simple routines that do not require expertise supervision to accomplish, hence the theme "#WorkoutWith Whatever."

In 2018, we successfully executed two seasons; deployed 'call to participate' communication materials, daily workout routine videos for consumers to recreate; milk-based meal plan was shared with participants to help plan their diet; we had One-on-One Fitness coaching via WhatsApp and partnered with established fitness platforms for our Saturday physical cardio-dance sessions.

At the end of the year, we reached +73% consumers versus the plan across different locations (Lagos, Ibadan, Uyo, Enugu).

Three Crowns celebrates a journey of 30 years of nourishing Nigeria mums

Three Crowns Mum of the year campaign was conceived in 2015 as a platform to reward mums for going the extra mile for their families. In celebration of our 30th anniversary, we rewarded mums in a grand style touching all 6 geopolitical zones and having 3 mothers crowned as "Mum of the Year."

The grand finale witnessed three lucky mothers out of 10, who participated, received an all-expense-paid trip to Dubai, United Arab Emirates and a year's supply of Three Crowns milk. Other contestants also smiled home with consolation prizes; fourth and fifth place winners were each rewarded with ₦1m worth of kitchen makeover; the sixth and seventh place winners got ₦500,000 worth of kitchen makeover each, while the eighth, ninth and tenth winners received ₦300,000 worth of kitchen makeover to be redeemed at any store of their choice.

To join in the campaign, Nigerians were required to submit a story about "why their preferred mum deserves to be the Three Crowns Mum of the year", along with pictures of the product or empty product pack, on brand website or in activated stores Pan Nigeria.

The campaign recorded a digital reach of +107% versus plan and won the second position in the Consumer promotion category of ADVAN award.

Charity outreach to IDP Camp in Durumi

FrieslandCampina WAMCO Nigeria PLC, through its global CEO, Hein Schumacher, made a donation of dairy products and education materials to children in a camp for Internally Displaced Persons (IDPs), during a Nutrition Support Programme in Durumi, Abuja.

This donation which was made through the Nigerian Red Cross Society, aimed at increasing the nutritional status of about 400 vulnerable children living in the camp, of ages 4 to 15.

Through the years, our company has built a strong legacy on giving back to the society and this culture is preserved in the brand through our people. By this symbolic donation we are joining the government in reducing child malnutrition by the provision of quality dairy nutrition.

30 Charity Homes across Nigeria were supported with cash and product donation in 2018

A day at Beth Torrey Home for Mentally Handicapped Persons

To further demonstrate social responsibility, FrieslandCampina WAMCO (with material and resource support from its employees) on December 20, organized a charity outreach for Beth Torrey Home for Mentally Handicapped Persons, Zaria in Kaduna State.

Beth Torrey Home was established by Ms Beth Torrey in 1961 and is currently sustained by the friends of Beth Torrey. The Home is a not-for-profit and non- governmental organization dedicated to improving the health, well-being and skills of mentally challenged in a residential setting.

Of the 30 homes and charities we cater annual cash and nutrition support to, the choice to renovate the Beth Torrey Home was informed by a need assessment carried out earlier in the year, which showed the need to proffer better living conditions.

The Chairman of the institution, Alhaji Muhammadu Jibo MFR, who has chaired its administration since 1990, commended FrieslandCampina WAMCO for its consistence and support through the years. While receiving the donations, he praised the company for enabling the conversion of their cooking apparatus from firewood to gas, running more water lines in the home, and other renovations carried out to easy operations in the home.

Our Purpose, Our Pride

As part of living the FrieslandCampina purpose, the Marketing and Specialized Nutrition team organized a "Giving Back Initiative" at Ijora-Badiya community in Lagos. This initiative targeted 2 distinct set of consumers including, school children between 4-12yrs and women of child bearing age.

The project deployed Nutritional Education, Product Sampling and Health Check-up in the neighborhood. By this initiative, in just one day, the team was able to actively and directly educate over 1,500 school children on the goodness of Peak Milk, importance of breakfast and sampled with Peak milk and writing materials. Likewise over 1,000 women were engaged directly, using healthcare professional to educate them on general hygiene and the benefit of dairy for a healthy living.

Over 1,500 school children reached in Ijora-Badiya community with the goodness of Peak milk

Nourishing Leadership

A key responsibility of any leader in FrieslandCampina is to identify, grow, and stretch talent. To do this really well requires a mind-set and practical skills of the leader. 'Nourishing Leadership' is a 2-day program in which leaders in FrieslandCampina WAMCO experience and practice this mind-set. Participants learn practical techniques to put Nourishing Leadership into practice. The two-day programme is just the starting point. There is strong emphasis on embedding the mind-set and practice in daily activities. A total of 42 Leadership Team members, across the business attended the programme in the year under review.

Leading with Presence

Leading with Presence, a leadership programme run by the Ariel Group, is designed to help leaders develop their authentic executive presence as credible leaders, sell themselves and their ideas with confidence, listen to build relationships, understand their audience and tailor messages appropriately, exhibit confidence during stressful situations, including strategic presentations and client interactions, motivate and create followership. A total of 24 Leadership Team members participated and the impact on their leadership style was immediately felt by their colleagues and the business.

Further, in our People Strategy for 2018, the need for our Company to be top of mind to top talent was apparent to achieving our ambitions. The year 2018 helped us in achieving this through a lot of initiatives, one of which was through our participation in Career and Job fairs organised by different organisations. As a company, we participated in six Career/Job in the year under review. We spoke to 352 students/job seekers and reached approximately 6500 individuals who attended the various fairs. The events were Career Fair and Employability Bootcamp organized by various institutions.

Employee led goodness of milk school outreach was organised to enlighten school pupils on the goodness of milk and provide more knowledge on the importance of milk to mental alertness, stronger bodies and sharper minds.

Staying healthy to WIN in the market

Onsite Gym for Employees

We made a choice to promote an active lifestyle and engage employees through the opening of an onsite Gym. We believe this will give employees the opportunity to cultivate a healthy lifestyle and improve their well-being whilst increasing bonding.

Employees are excited about this as the onsite gym provides easy access to exercise facilities and a relaxed environment to loosen up after the day's business.

We hope for a fitter, stronger and healthier workforce to win in the market.

Family Fun Day out

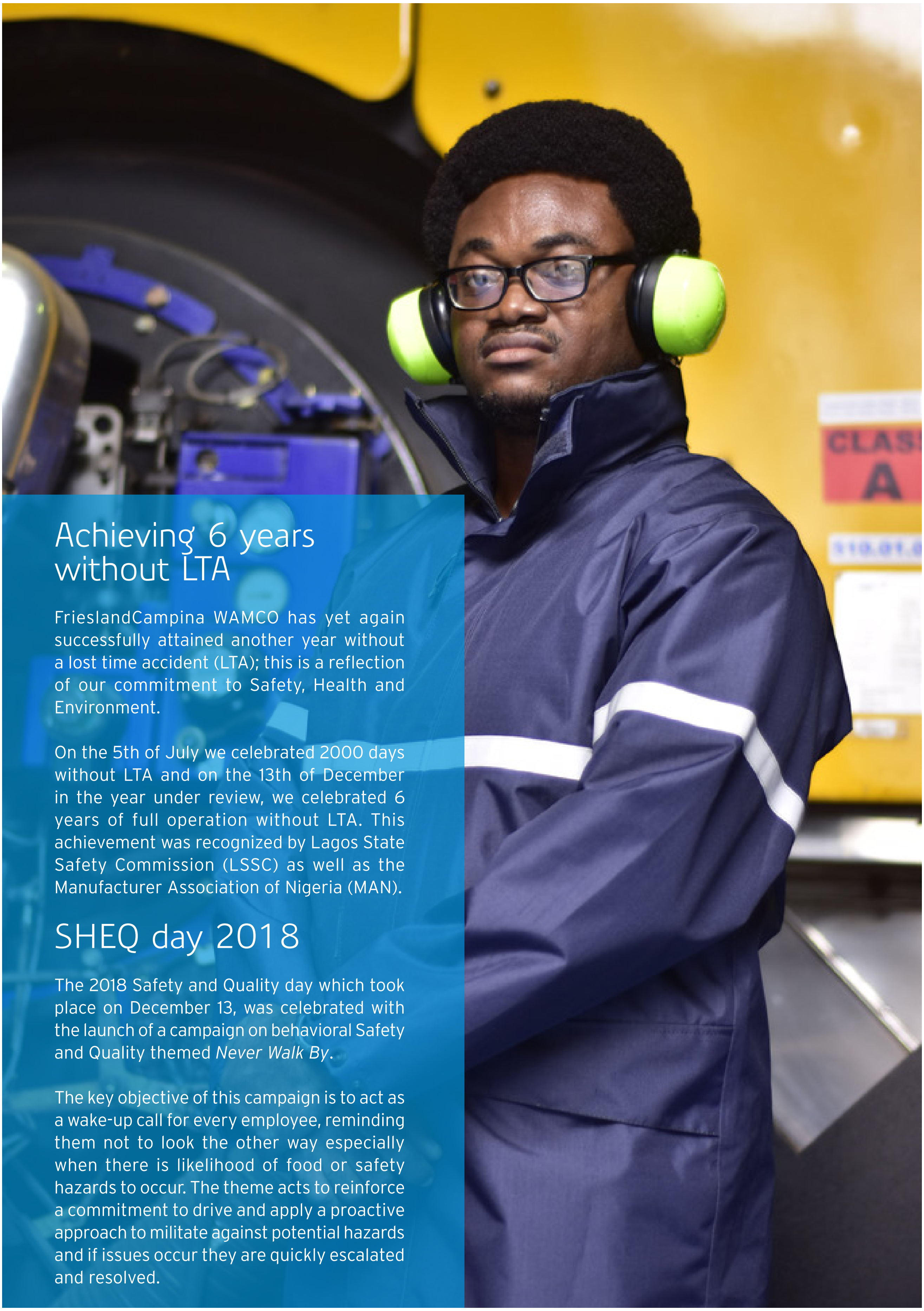
Over 200 employees joined in the Fitness Day Out held in October to exercise, bond and share exciting moments with colleagues.

The day kicked off with a health talk on breast and prostate cancer, after which employees set off for a 10km walk. Employees and their spouses were treated to healthy refreshments to promote healthy eating.

Employees spouses also joined in this engagement and everyone was treated to healthy refreshment to promote healthy eating.

FC WAMCO Team is the winner of 2018 Remita Corporate Champions Cup

Safety is top priority



Achieving 6 years without LTA

FrieslandCampina WAMCO has yet again successfully attained another year without a lost time accident (LTA); this is a reflection of our commitment to Safety, Health and Environment.

On the 5th of July we celebrated 2000 days without LTA and on the 13th of December in the year under review, we celebrated 6 years of full operation without LTA. This achievement was recognized by Lagos State Safety Commission (LSSC) as well as the Manufacturer Association of Nigeria (MAN).

SHEQ day 2018

The 2018 Safety and Quality day which took place on December 13, was celebrated with the launch of a campaign on behavioral Safety and Quality themed *Never Walk By*.

The key objective of this campaign is to act as a wake-up call for every employee, reminding them not to look the other way especially when there is likelihood of food or safety hazards to occur. The theme acts to reinforce a commitment to drive and apply a proactive approach to militate against potential hazards and if issues occur they are quickly escalated and resolved.

Awards 2018

- Peak received Kanter Awards for Most Differentiated Brand, Most Meaningful Brand, Household penetration, and Strong Power scores
- Three Crowns received Advan Award for Consumer promo of the year for Mum of the Year.
- 6 awards received at the Lagos Advertising and Ideas Festival (LAIF).
- Marketing World Awards

Best Sales Professional for Nigeria – Adewale Arikawe, Sales Director

Excellence in Shopper Marketing, Nigeria- FrieslandCampina WAMCO

Marketing Thought Leader Award – Dolapo Otegbayi, International Channel and Shopper Marketing Manager

Shopper Marketing Team of the Year, Nigeria- CDSM Team, FrieslandCampina WAMCO

- Lagos Vision Zero Awards (LSSC) Compliance, Excellence and Professionalism in Safety Standards in the Workplace
- Sustainability Award by the Lagos State Environment Protection Agency (LASEPA)
- Gold Winner – Manufacturers Association of Nigeria Best Kept Industrial Premier.
- Nigeria Entrepreneurs Award – Labour Friendly Organisation
- CIPM HR Best Practice Awards – Best Strategic HR/Business development initiative
- Africa Best Employer Brand Award

Corporate directory

Lagos Mainland
Plot 7B Acme Road Ogba

Lagos Island
Block 2, Plot 2 Cbd Area,
C&I Leasing Street,
Lekki Phase 1, Lekki, Lagos.

Ogun
96A, NUD Road, Opposite Methodist
Primary School, Oke-Yeke, Abeokuta,
Ogun State

Oyo
Oba Oyin Plaza, along Bodija/UI Road,
Opposite Preboye's World, Agbowo Road
Ibadan

Kwara
9 Ahmadu Bello Way GRA, Ilorin

Owerri
Plot 199 New Owerri, Owerri

Delta
Km 5 Asaba-Benin Expressway,
Behinde Obilinks Filling Station,
Asaba, Delta

Abia
CFAO (Nig) Plc 4, Factory Road, Aba, Abia

Enugu
Chase Mall, 33/47 Abakiliki Road GRA Enugu

Rivers
Zuma Suites,No. 29/30 Kaduna Street,
D/Line,Port-Harcourt

Abuja
Plot 634, Cadastral Zone B02,
Durumi (Area 1), Abuja FCT

Niger
2 Muazu Mohammed Road, 123 Quarters,
Minna, Niger

Kano
70, Bida road off Post Office Road,
By ministry of agriculture,
Kano

Kaduna
Plot 5D Kanta Road EK House Kaduna

Kebbi
House No. 2, Kaiwa Street,
Gesse Phase 1 opposite Jumat Mosque,
Birnin Kebbi, Kebbi State

Sokoto
No 1E,Al Fodio Road, Sokoto

Plateau
No 3 Old Airport Road Jos, Plateau

Nasarawa
13 Heritage Hotel Close, along Abu opposite
Medical Centre entrance, along Abuja-Keffi
Highway Maraba, Nasarawa

Borno
Suite 2, First Floor, Efunsola Multipurpose
Business Technology Building, Opposite State
Secretariat, Jos/Kano Road, Maiduguri, Borno

Gombe
Plot 121, Adamu Fura House,
Adjacent Eco Bank, Biu Road. Gombe

Bauchi
Maigoro Plaza, 5 Yandoka road, Bauchi

Adamawa
1st Floor, Adamawa State Investment House,
42 Galadimawa Aminu Way, Bank Road,
Luggere-Jimeta, Yola

Proxy form

FrieslandCampina WAMCO Nigeria PLC

46th Annual General Meeting to be held at the Shell Hall, MUSON Centre, 8/9 Marina, Onikan, Lagos on Thursday, 20 June 2019 at 11.00a.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 20 June, 2019 and at any adjournment thereof.

Dated this...........day of...................2019.

Signature...
*Delete as necessary

No. of Shares			
Resolutions	**For**	**Against**	**Withheld**
To declare a final Dividend			
To re-elect as Director, Mrs. Oyinkan Ade- Ajayi			
To re-elect as Director, Mr. Peter Eshikena			
To re-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 Limited, 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

FrieslandCampina WAMCO Nigeria PLC

46th Annual General Meeting to be held at the Shell Hall, MUSON Centre, 8/9 Marina, Onikan, Lagos on Thursday, 20 June 2019 at 11.00a.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.

Affix Current Passport

(To be stamped by Bankers)

Write your name at the back of your passport photograph

E-DIVIDEND

FirstRegistrars & INVESTOR SERVICES

E-DIVIDEND ACTIVATION FORM

Only Clearing Banks are acceptable

Instruction

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

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

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

Bank Verification Number

Bank Name

Bank Branch

Bank Address

Bank Account Number

Account Opening Date

Account Type (Tick) ☐ Current ☐ Savings

Shareholder Account Information

Surname First Name Other Names

Address :

City State Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1 Mobile Telephone 2

Email Address

Signature(s) Company's Seal

Joint\Company's Signatories

Authorised Signature of Banker Authorised Stamp of Banker

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	

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

E-PRODUCTS

FirstRegistrars & INVESTOR SERVICES

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.

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	AFRICAN DEVELOPMENT BANK BOND	
	AFRICAN PAINTS PLC	
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	BAYELSA STATE BOND	
	BCN PLC-MARKETING COMPANY	
	BEDROCK FUND	
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	CHAMS PLC	
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	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	
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	STANBIC IBTC ETHICAL FUND	
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	STANBIC IBTC NIGERIAN EQUITY FUND	
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	STARCOMMS PLC	
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	UNION DIAGNOSTIC AND CLINICAL SERVICES PLC	
	UPDC REITS	
	WEST AFRICAN ALUMINIUM PRODUCTS (WAAP)	
	ZAMFARA STATE BONDS	

Head Office: Plot 7b Acme Road Ogba Industrial Estate, P.M.B. 21319, Ikeja, Lagos
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twitter/peakmilk facebook.com/peakmilk peak_milk