



FrieslandCampina nl

FrieslandCampina WAMCO Nigeria PLC

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FrieslandCampina WAMCO Nigeria PLC

Annual Report 2011

FrieslandCampina WAMCO Nigeria PLC Annual Report 2011





FrieslandCampina [air](http://www.frieslandcampina.com)

FrieslandCampina WAMCO Nigeria PLC



we provide nutritious dairy products...

At FrieslandCampina WAMCO Nigeria PLC we provide Nigerian consumers with high quality dairy based nutrition. Our range is designed to provide consumers with all the nutrients they need to perform at their best through every stage of their lives. From enhancing infant and toddler nutrition to sharpening their minds and developing strong healthy adult bodies, our products play a vital role in the growth and well being of all our customers. Our passion is to explore and unlock the unlimited potential of milk.



...for people to perform at their best through every stage of life.



www.frieslandcampina.com

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Financial Highlights

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000	% Increase
Turnover	104,984,277	90,399,530	16.13
Profit before taxation	13,991,803	16,983,557	(17.62)
Taxation	(4,077,337)	(5,364,646)	(24.00)
Profit after taxation	9,914,466	11,618,911	(14.67)
Share capital	488,168	390,535	25.00
Shareholders' funds	11,540,662	12,524,057	(7.85)
Per share data			
Number of ₦1.00 ordinary shares	488,167,969	390,534,375	25.00
Basic earnings	20.31	29.75	(31.74)
Interim dividend paid	3.02	5.62	(46.26)
Final dividend proposed	17.29	24.13	(28.35)
Net assets	23.64	32.07	(26.28)
Number of employees	806	870	(7.36)

Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-ninth Annual General Meeting of FrieslandCampina WAMCO Nigeria PLC will be held at the Grand Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos on Thursday, 26 April, 2012 at 11.00 a.m. to transact the following business: -

Ordinary business

- (1) To receive the Report of the Directors and the Audited Financial Statements for the year ended December 31, 2011 together with the reports of the Auditors and Audit Committee thereon.
- (2) To declare a final dividend.
- (3) To elect/re-elect Directors.
- (4) To authorize the Directors to fix the remuneration of the Auditors.
- (5) To elect members of the Audit Committee.

Special business

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



BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Bolade Obat-Olowu'.

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

Dated this 1st day of March, 2012

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 Registrar, First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Igamu not later than 48 hours before the time of the meeting.

2. Dividend warrants

If the dividend recommended by the Directors is approved, dividend warrants will become payable on Thursday, 26 April 2012 to members whose names appear in the Company's Register of Members at the close of business on Friday, 13 April 2012.

3. Closure of register

The Register of Members and Transfer Books of the Company will be closed from Monday, 16 April 2012 to Wednesday, 18 April 2012 both dates inclusive, to enable the Registrars prepare for the payment of dividend.

4. Audit committee

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

GET

MORE



OUT OF MILK



Peak is now renewed with **Extra Fortified PLUS** to give your family even Stronger Bodies Plus Sharper Minds. Packed with essential ingredients to help you get more out of milk, new Peak Extra Fortified PLUS gives your family the perfect start to everyday. Make sure your family gets more out of life with new Peak Extra Fortified PLUS. **Peak, it's in you.**

STRONGER
BODY



SHARPER
MIND



J. M. Ajekigbe OFR
Chairman

Distinguished shareholders, my colleagues on the Board, invited guests, ladies and gentlemen. It is with great pleasure that I welcome you all to the 39th Annual General Meeting of our company. I am also delighted to present the Annual Report and Financial Statements for the year ended 31 December 2011.

The economic environment

The world economy which showed some signs of recovery in 2010 started to slow down again in 2011. In Nigeria, the economy continued to grow at a relatively fast rate compared with the rest of the world, but it was an empty growth as the real sector was still struggling to survive. The operating environment for the manufacturing sector in Nigeria remained harsh. Infrastructure did not really improve, and the interbank Naira exchange rate to the Dollar fluctuated in a broad bandwidth. Although the banking sector regained some confidence, lending rates remained high, as deposit rates increased in the course of the year. Unemployment remained at a high level, so did the inflation rate, which was above 10%. Rising food prices generally led to a weakening of consumer demand.

The world dairy market

At the beginning of 2011 there was a steep increase in prices of dairy commodities, especially milk powder, the Company's main raw material. This was caused by the continued increase in demand, especially from China and North Africa. The weakening of the Euro, social unrest in North Africa and an increase in milk powder supply, which resulted from good weather in Oceania, did little to bring down prices of raw materials, except milk fat.

The Nigerian milk market

The commercial business environment continued to be a challenge, with infrastructural decay, raw material price increases, exchange rate movement and insecurity, leading to massive disruption of trade and inevitable price increases in 2011. The double digit food inflation continued in 2011 with consequent adverse effect on disposable income and consumer purchases as about two-thirds of Nigerian households could afford to buy milk regularly. As a result, the total dairy market driven by evaporated and powder milk decreased in volume, partly due to filling-weight reduction and consumers trading down to low unit portion packs. Despite these adverse developments, FrieslandCampina WAMCO successfully improved its position by growing its market share (in value) from 45% to 46%.

Flood disaster

The Company's operations were severely interrupted by flooding which occurred at its Lagos premises on July 10. Due to heavy rainfall experienced within the Lagos metropolis from the early morning of July 10 to early hours of July 11 and the inability of public drainage to cope with the volume of water, the Company's perimeter walls collapsed under heavy pressure from water that had piled up outside the walls. All the factories and warehouses were affected. As a result of skillful engineering, hard work, effective crisis management and exceptional leadership, the business interruption period was limited to 4 weeks. The staff showed high levels of motivation, dedication, creativeness and resilience, which contributed significantly to the Company's recovery from the disaster. Preventive measures have been taken to protect the Company from future re-occurrence and insurers have compensated for the major part of the claimed damage.

Operating results and performance

In spite of the challenging operating environment and business interruption due to the flood, the commercial and financial performance of the Company remained unexpectedly satisfactory. In 2011 the net turnover increased by 16% to ₦104.9 billion. Profit Before Tax (PBT) decreased by 18% to ₦13.99 billion, while Profit After Tax (PAT) decreased by 15% to ₦9.91 billion. The drop in results was caused by a combination of lost sales volumes due to the flood, higher raw material prices and a weaker Naira. Three subsequent sales price increases did not fully compensate for the higher cost of material and cost of wage inflation.

Dividend

The Company's policy is to pay 75 per cent of its PAT as dividend to its shareholders. The dividend paid in any particular year however depends on the financial performance of the Company and the level of its cash and bank balances.

The Company, as indicated last year, does need substantial funds for the modernization of existing production lines to increase quality, efficiency and its capacity for further growth. Despite the Company's need for substantial funds, the cash position still allows for a total dividend payout of 100 per cent of the Company's PAT for the year under review. The Board of Directors is therefore proposing a total dividend of ₦20.31 per ₦1.00 share, which is equivalent to 100 per cent of the Company's PAT for the year under review. An interim dividend of N 3.02 was paid in November 2011. A final dividend of ₦17.29 per ₦1.00 share is therefore being proposed for your approval. The final dividend, which will be subject to withholding tax at the rate prescribed by Government, will be payable on 26 April 2012.

Operations

Due to the flood and year end closing for maintenance and overhaul, production was operational during 48

Chairman's Statement

weeks in 2011, as against 51 weeks in 2010. Corrected for this closure, total production output grew by 7%. The product quality parameter of "first-time-right" was raised by 12%. The cost of total rejected milk powder for manufacturing reduced by more than half, resulting from increased attention to quality stock management. Despite the flood, the DIFOT (deliveries in full and on time) remained high at a level close to 80%. The total conversion costs remained at last year's level, thus compensating volume growth and above 20% increase in labor costs by increased efficiency, and as the output per Full-Time Employee (FTE) increased, the conversion costs per unit produced decreased. Auto bay, canteen and laundry service were outsourced since these are not core activities. One-time reorganization costs are included in the result.

Compared to previous years, energy costs were reduced significantly as a result of the new boilers that were installed, and a more efficient fuel mix. Direct maintenance costs and spare-part usage were also reduced by modernizing the processing equipment and filling lines. Production overhead costs decreased due to a more efficient use of resources. Total staff costs however increased due to the implementation of collective labor agreements and subsequent wage increases (at a level exceeding general inflation), and increased training costs.

In order to meet future increases in market demand, capacity has been increased, and equipment renewed. Two powder filling lines and a second line for the successfully-launched evap sachets have been added. Civil works have also commenced to facilitate the extension of powder processing equipment. A new line was installed for can production, and a new high-speed packaging line was installed to replace two old ones.

A master plan, forecasting the production capacity needs until 2020 and beyond, has been designed and reviewed by experts. This will require substantial capital investments in the years to come, but is essential if the Company is to continue to grow and remain competitive.

Port congestion led to inefficiencies and increased costs in the supply chain. These ranged from delays in the arrival of shipments of raw materials, to increase in clearing times and demurrage costs. Poor infrastructure, inefficient operations and capacity constraints at the terminals also had an impact on the Company's operations.

Dairy development program (DDP)

FrieslandCampina WAMCO, as the leading manufacturer in the Nigerian dairy market, is fully committed to the development of local milk production capacity in Nigeria. Currently, because the numerous local cattle are neither developed nor suitable for milk production, there is very little good quality fresh milk available in reasonable volume and quality for use on an industrial scale.

Under a Public-Private-Partnership (PPP) with the Federal Ministry of Agriculture and Rural Development, FrieslandCampina WAMCO initiated a number of projects, which over a period of a few years should enable the Company to source a significant part of its raw milk needs locally, and reduce its reliance on imported milk powder. This will go a long way to further increase its local content, which currently consists of palm oil, cocoa powder, ingredients, sugar and packaging material.

The projects intend to develop the milk production capacity of small-scale family-farmers and local cattle herdsman by supporting dairy farms to produce good quality raw milk at competitive prices through provision of dairy extension services, such as breeding, feeding and hygiene consultation. In selected areas, Milk Collection Centres will be established, where farmers can deliver milk locally, which will then be transported in bulk to the factories.

Fresh milk collection started late 2010 at Shonga Farms in Kwara State. The volume of milk from the farm has quadrupled since the programme began, and more importantly the quality of milk is now of international standards.

FrieslandCampina WAMCO now operates three specialized milk trucks, transporting milk from the Dairy and Collection Centres to its factories. The Company signed a Memorandum of Understanding (MOU) with the Federal Ministry of Agriculture and Rural Development in April 2011 for Dairy Development Program in Nigeria, starting with projects in Oyo State and later Abuja. The services of an international non-profit agricultural development organisation, IFDC, have been engaged to support DDP in Nigeria.

A pilot milk collection and cooling centre has been built in Fashola (Oyo State) and boreholes for fresh water have been provided in three locations in the area. After training the Fulani cattlemen on milk hygiene and quality, the Company started fresh milk collection from Fashola in December 2011.

Three more milk collection and cooling centres will be built in due course. These centres in Oyo State will have a combined fresh milk capacity of more than 10,000 litres per day.

Research and development (R & D)

In order to further strengthen the Company's brands viz., Peak, Three Crowns and Friso, innovations through continuous research and development is essential. Within the FrieslandCampina R&D network, WAMCO is the centre of expertise for evaporated milk, and worldwide developments in this category are led by WAMCO staff. WAMCO in turn, sources innovations in other categories from other entities within the network. This international cooperation is intensifying because the speed and complexity of innovations are increasing, enabling the Company to benefit fully from all R&D know-how which is available worldwide.

The newly opened R&D centre in Lagos includes a state-of-the-art pilot plant for innovative experiments on a small scale. In 2011 the Peak brand was relaunched with a locally developed extra-fortified recipe, fulfilling its role as category leader, staying ahead of competition. Also several value engineering projects were pursued, in addition to new product experiments and packaging developments.

Sales and marketing

Under the corporate Route2020 strategy, FrieslandCampina WAMCO fulfils a key role in the development of dairy based beverages and infant nutrition. Its sales and marketing strategy is focused on increasing household penetration and frequency of use of its brands and products through optimization of availability and affordability. The products already enjoy extensive nation-wide distribution, through a stable network of dedicated distributors, but there are still areas to be reached, especially the rural communities. Cascading down the population pyramid, we intend to reach non-using families with low unit portion packs, thus contributing to a healthier Nigeria, offering the goodness of dairy to a population that still suffers nutritional deficits.

The Company's advertising and promotion strategy was aimed at sustaining the leadership position and driving deeper emotional connection between the brands and consumers. This has further endeared Peak, Three Crowns and Friso to the teeming Nigerian consumers who continue to spend wisely, but are nevertheless looking for a brand they can trust to continuously deliver quality nutrition.

Despite the flood in July, which had a negative impact on volume growth; frequent depot and market closures in the North due to disturbances and three price increases in the first half of the year, market leadership was strengthened, as the Company achieved 1% volume and 16% value growths.

Moderate volume growth was achieved in the evaporated/condensed milk category, while in the powder category, volume growth was more significant. Infant nutrition volume grew satisfactorily, leading to market share growth in all categories.

Volume growth was mainly driven by low unit pack sizes, Peak IMP 20g and Peak Evaporated milk sachet. In addition, strategic repositioning of Three Crowns evaporated milk with a new attractive label design supported by mass media advertising and introduction of Three Crowns evaporated milk sachet started to yield positive results in 2011.

Weakening consumer demand and rising prices led to increased consumer sensitivity to prices. Price sensitivity was, as in the previous years, in favor of powder milk category, where price points were preserved for the portion packs through filling-weight reductions.

Bank Funding for distributors continued to be challenging as the impact of the banking reforms of previous years continued to affect availability of funds. The rural distribution model, which leverages on the affordable low unit price packs, has been extended to 60 villages. 2011 was the first full year of medical detailing, with very impressive results.

The commercial strategy further aims to maintain a healthy balance between profitability and strategic volume growth.

Corporate social responsibility (CSR)

FrieslandCampina WAMCO continues to demonstrate its commitment to responsible production and meaningful contribution to the Nigerian society. The CSR initiative is not only structured to address the developmental needs of communities, but also promotes transparency in corporate governance, which is reported in our annual accounts under directors' report, employee relations and business relations.

The Company continued to sustain its existing CSR projects by expanding on the projects while ensuring that existing projects are upgraded regularly. Despite the flood and its challenges, the Company did not renege on its support to the respective 25 charity homes, and donations of products were made to all the homes across Nigeria.

The Olu Akinkugbe WAMCO Nutrition Centre (OAWNC) engaged in various nutrition activities in the year. The centre held its 6th annual nutrition seminar tagged "Improving Infant Nutrition in Nigeria" with a major focus on advising Health Care Practitioners (HCPs) on their role in educating mothers on the proper feeding method to adopt, especially in cases where breastfeeding or exclusive breastfeeding is not possible. The centre also carried the "Goodness of Dairy" message to key health players in Nigeria at the 2nd Congress of Federation of African Nutrition Societies (FANUS) later in the year.

Under the School Adoption project, the eighteen schools adopted were provided with Universal Basic Education (UBE) approved desks and chairs, which will go a long way in enhancing the learning environment of the pupils. The six tertiary institutions under the Endowment Fund project were also given financial support for the academic session. The institutions were encouraged to find relevant research projects that link with the Dairy Development Program in order to give the program more depth.

The solar borewells have become more efficient, ensuring a green environment and providing potable water at all times to the community. To ensure a holistic approach to the CSR initiatives, the communities in Oyo state where we commenced the Dairy Development Program were provided with solar powered water projects. This will assist the Fulani dairy

Chairman's Statement

farmers to obtain good quality, hygienic milk from their cattle. The farmers were trained on milk collection hygiene and general sanitation to ensure that they start off on a positive note and inculcate best practices in dairy farming. The total number of community water projects is now thirty-three the majority of which are solar powered.

To restate the Company's commitment towards propagating the goodness of milk to Nigerians, the Company took the lead in the celebration of World Milk Day on June 1. This initiative was established in 2001 by FAO (Food and Agriculture Organization of the United Nations) to provide an opportunity for dairy companies to focus attention on milk. For FrieslandCampina WAMCO, a leader in the dairy industry, this is a special day that provides an opportunity to enlighten the public on the importance of this key source of nutrition, and to unite with the world in promoting the consumption of milk as an important source of nutrition. The World Milk Day was highly successful and it involved employees who acted as Milk Ambassadors.

Human resources

The Company's human capital is adjudged the most valuable factor for the achievement of its corporate strategic goals. The employees are able to perform their duties and make meaningful contributions to the success of organizational goals through the acquisition of the relevant skills and knowledge. The critical challenge towards continuous performance improvement remains the capacity and speed of response through people development. Thus, a drive in the right direction for employees' development is a necessity for sustainable superior Company performance. In view of this, FrieslandCampina WAMCO strives to give its staff qualitative training both locally and internationally. In the year under review, 663 members of staff attended various training programmes to develop relevant competencies and talents for meeting the ever increasing business challenges.

In the year 2011, an updated performance management system was implemented. This system measures effective performance of staff in carrying out their individual functions and enables staff to be adequately rewarded.

The commitment to staff motivation and competitive reward system has assisted greatly in reducing the rate of staff turnover to the lowest level in the industry and group. The annual attrition rate of future talents in 2011 was less than 1%.

Also, with respect to the industrial labor agreement, the Company implemented the NJIC collective agreement in spite of the challenge of general inflation which was far lower than the wage increase.

The Company provides adequate medical care for its employees and this has greatly reduced the illness rate to the barest minimum.

In a bid to ensure that the Company remains competitive and sustains its current leading position in the increasing competitive business environment, a re-organization exercise was carried out during the year. This resulted in outsourcing of the non-core functions hitherto handled internally to the specialists, thus enabling the Company to focus on its core business of dairy manufacturing. The exercise, which was carried out with due respect to relevant labour laws affected six senior and fifty junior members of staff.

Outlook 2012

Political stability is a critical success factor for our Company, just like others in the manufacturing sector of the economy. Social unrest, national strike and protests (the type witnessed at the very beginning of this year on the issue of fuel subsidy), limit the Company's ability to survive and thrive. The increased fuel prices will definitely fuel inflation and reduce the disposable income of most Nigerian households. Another risk to our Company's financial performance and profitability is the Exchange Rate of the Naira to the Dollar, which is uncertain.

Dairy markets are stabilizing and there are no signs of significant price reductions from the high 2010 levels. The Company will however continue to look for efficiency improvements to offset cost increases and other negative effects of the operating environment. We shall step up our efforts at strengthening the Peak, Three Crowns and Friso brands as they are the lifeline to future profitable growth for our Company, and veritable source of healthy, natural nutrition to Nigerians. With a continued focus on market performance and consumer satisfaction, the Company is confident of another successful year.

Thank you.

J.M. Ajekigbe OFR
Chairman

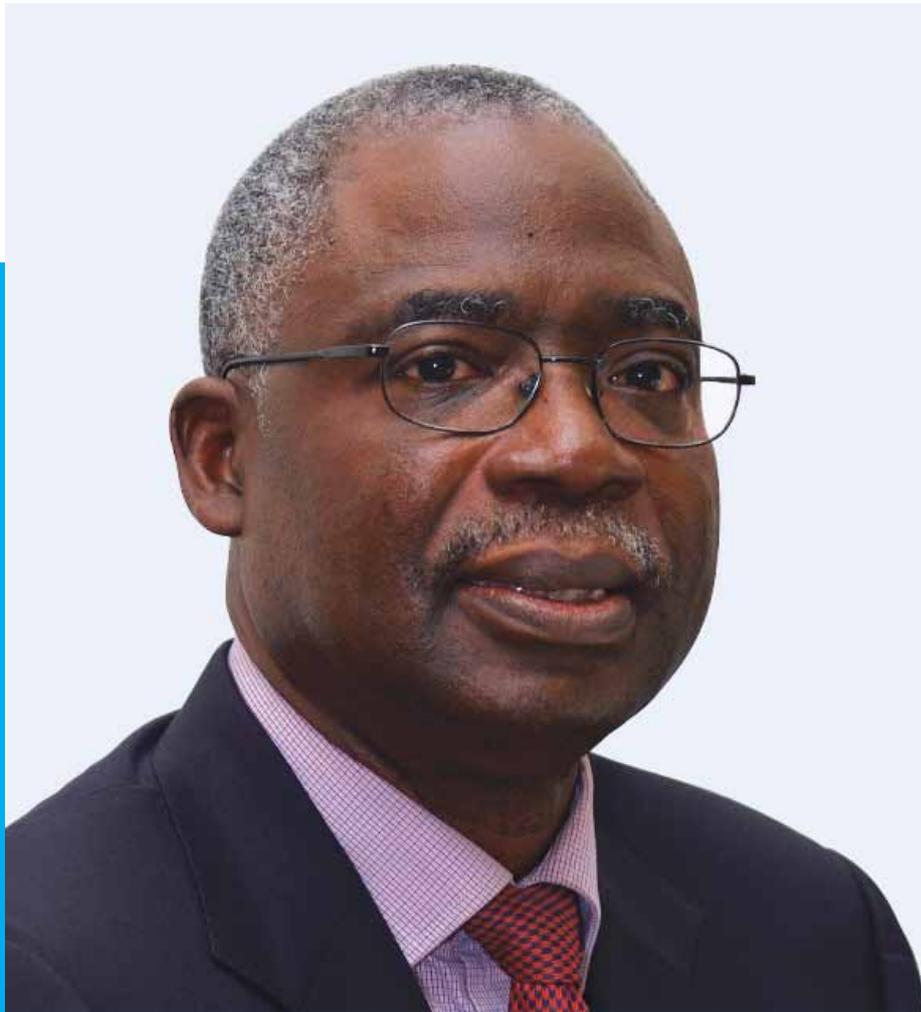
NEW

Real Milk! Real Value!



BUILDING STRONG FAMILIES

Board of Directors



Mr. Jacobs Moyo Ajekigbe OFR
Chairman



Mr. Robert Steetskamp
Managing Director



Mr. Peter Eshikena
Executive Director



Mrs. Oyinkan Ade-Ajayi

Rev. Isaac Adefemi Agoye

Mallam Ahmed Dasuki



Mr. Kapil Garg

Mr. Cees 't Hart

Mr. Louis Nnamdi Mbanefo SAN

Ms. Evelyn Oputu OON



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2011

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Registered Office

Chairman:	Mr. Jacobs Moyo Ajekigbe OFR	
Managing Director:	Mr. Robert Steetskamp	(Dutch)
Directors:	Mr. Peter Eshikena Rev. Isaac Adefemi Agoye Mrs. Oyinkan Ade - Ajayi Mallam Ahmed Dasuki Mr. Kapil Garg Mr. Cees't Hart Mr. Louis Nnamdi Mbanefo SAN Ms. Evelyn Ndali Oputu OON	Executive (Indian) (Dutch)
Company Secretary:	Mrs. Bolade Obat-Olowu	
Registered Office:	Plot 7B Acme Road Ikeja Industrial Estate, Ogba, Ikeja, Lagos, Nigeria.	
Auditors:	KPMG Professional Services 22A Gerrard Road Ikoyi, Lagos	
Solicitors:	T.C. Mbanefo & Co. (Barristers & Solicitors) 5th Floor, Bankers' House PC 19, Adeola Hopewell Street Victoria Island, Lagos	
Registrars:	First Registrars Nigeria Limited Plot 2 Abebe Village Road, Iganmu, Lagos	
Principal Bankers:	Citibank Nigeria Limited Diamond Bank Plc First Bank of Nigeria Plc Guaranty Trust Bank Plc Stanbic IBTC Bank Plc United Bank of Africa Plc Zenith Bank Plc	

Report of the Directors

for the year ended 31 December 2011

The Directors have pleasure in submitting to members, their report and the audited financial statements for the year ended 31 December 2011.

1. Legal form and principal activities

FrieslandCampina WAMCO Nigeria Plc was incorporated 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 and marketing of evaporated milk, instant milk powder and other dairy products.

There was no change in the activities of the Company during the year.

2. State of affairs/subsequent events

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

3. Result for the year

In spite of challenges within the operating environment, the disruption to the Company's operations due to the devastating flooding of its Lagos premises on July 10 and the continued increase in raw material prices, the Company achieved a creditable result during the year.

	₦'000
Turnover	104,984,277
Profit before taxation	13,991,803
Taxation	(4,077,337)
Profit after taxation	9,914,466

4. Dividend

The Company paid an interim dividend of ₦3.02 per share in November 2011 and the Board of Directors has recommended a final dividend of ₦17.29 per share subject to the deduction of appropriate withholding tax at the time of payment.

As a policy, the Company endeavors to pay out 75% of its profit after tax as dividend to its shareholders. The final dividend payout depends on the financial performance of the Company and the state of its cash and bank balances. Considering the strong cash and bank balances and the result for the year, the Directors have decided to pay 100% of current year's profit as dividend.

If this proposed final dividend is accepted, the total dividend in respect of year 2011 operations will be ₦20.31 per share.

5. Fixed assets

Information relating to changes in fixed assets is given in Note 6 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in these financial statements.

Report of the Directors

for the year ended 31 December 2011

6. Directors

The names of Directors who held office during the year are as follows:

Mr. Jacobs Moyo Ajekigbe OFR		Chairman
Mr. Robert Steetskamp	(Dutch)	Managing Director
Mr. Peter Eshikena		Executive Director
Rev. Isaac Adefemi Agoye		
Mrs. Oyinkan Ade - Ajayi		
Mallam Ahmed Dasuki		
Mr. Kapil Garg	(Indian)	
Mr. Cees 't Hart	(Dutch)	
Mr. Louis Nnamdi Mbanefo SAN		
Ms. Evelyn Ndali Oputu OON		

Mr. Kapil Garg, Mr. Cees 't Hart and Mr. Jacobs Moyo Ajekigbe retired by rotation in accordance with Article 85 of the Company's Articles of Association and being eligible, offered themselves for re-election.

7. Records of directors' attendance

Pursuant to and in accordance with the provisions of Section 258(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Record of Directors' Attendance at Board Meetings held during the year under review is available for inspection at the Annual General Meeting.

8. Directors interest in contracts

None of the Directors has notified the Company for the Purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004 of any disclosable interest in contracts with which the Company was involved as at 31 December 2011.

9. Interest of directors

The interest of Directors in the issued share capital of the Company as recorded in the register of Directors' shareholding as at 31 December 2011 are as follows:

Number of ₦1.00 ordinary shares held as at 31 December 2011

	2011	2010
Mr. Jacobs Moyo Ajekigbe	625,000	250,000
Rev. Isaac Adefemi Agoye	700,001	700,001
Mrs. Oyinkan Ade - Ajayi	568,397	386,718
Mallam Ahmed Dasuki (Indirect)	1,336,757	1,069,406
Mr. Peter Eshikena	23,653	18,923
Mr. Louis Nnamdi Mbanefo	813,281	650,625
Ms. Evelyn Oputu	42,500	34,000

None of the other directors have interest in the issued share capital of the Company as at the end of the year.

Report of the Directors

for the year ended 31 December 2011

10. Corporate governance

1. Commitment

The Corporate Governance principles for the Company provide for best practices to be followed by the Company in every area of its activities and the Board takes responsibility for ensuring that the Company maintains the highest standards. The Board of Directors is dedicated to ensuring that the Company's objectives are achieved. The Company recognizes the importance of high standard corporate governance and is committed to same by institutionalizing corporate governance principles as part of its corporate structure. It will continue to pursue strict adherence to the implementation of Corporate Governance rules of the Manufacturers Association of Nigeria and the Securities & Exchange Commission.

The Board continues to operate within the confines of Regulatory Code of Corporate Governance, the Company's Articles of Association and the Companies and Allied Matters Act CAP C20 LFN 2004. The operations and activities of the Company are carried out transparently, without undue influence.

2. Board composition

As at 1 March 2012, the Board comprised ten (10) Directors. Eight (8) Non-Executives and two (2) Executives.

The guiding principles of the Company's Corporate Governance guidelines are as follows:

- That delegation of authority by the owners to the Board and subsequently to the Board Committees and Executives are clearly defined and agreed.
- That there is effective communication and information sharing outside of meetings.
- That actions are taken on fully informed basis, in good faith with due diligence and care and in the best interest of the Company and all stakeholders.
- That compliance with applicable laws and regulations and the interest of stakeholders be enhanced. Where there is any conflict between the Company's rules and legislation, legislation supersedes.
- That there is conformity with the Company's overall strategy and direction.

3. Role of the board

The functions or the role of the Board of Directors of the Company are guided by the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Company's Articles of Association and other applicable laws and regulations.

4. Frequency of meetings

Meetings of the Board are held on regular basis. However, meetings may be convened at any time, whenever the need arises. The Board met during the year on 2 March 2011, 29 April 2011 and 24 November 2011.

5. Audit committee

The Audit Committee met four times during the year under review for meetings and four times for depot inspections.

i) Membership		
Mr. S. S. Adebayo	(Shareholder)	Chairman
Sir S.N. Nwosu	(Shareholder)	Member
Mr. O.G. Emodi	(Shareholder)	Member
Ms. E. N. Oputu	(Director)	Member
Rev. I.A. Agoye	(Director)	Member
Mr. K. Garg	(Director)	Member

Report of the Directors

for the year ended 31 December 2011

ii) Responsibilities

The Committee is established in compliance with section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004.

The Committee oversees the accounting and reporting policies of the Company to ensure they are in accordance with legal requirements and agreed ethical practices.

6. 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.

Membership of the team includes the following:

1) Managing Director	Mr. Robert Steetskamp
2) Deputy Managing Director/ Sales Director	Mr. Peter Eshikena
3) Finance Manager	Mr. Jelle Kleefstra
4) Operations Manager	Mr. Vemuri Vedavyas
5) Human Resources Manager	Mr. Robert Maduekwe

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

7. Shareholders' participation

The Company is conscious of and promotes shareholders' rights. It continues to take necessary steps in ensuring same. The Board and the management have significantly benefited from the contributions and advice of the shareholder members of the Audit Committee and the contributions of shareholders at Annual General Meetings.

8. Code of conduct

The Company has a Code of Conduct which sets out the values and principles that should guide 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.

9. Share trading policy

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

11. Employment of disabled persons

It is the policy of the Company to consider disabled persons for employment if academically and medically qualified. The Company had no disabled person in its employment as at 31 December 2011.

12. Health, safety and welfare of employees at work

Health and safety 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 has retainer arrangement with some hospitals where employees can be treated. There is an on-site clinic in our factory, manned by qualified medical personnel providing primary health care round the clock for employees at work. We comply with relevant statutory provisions and regulations on health, safety and welfare matters as well as providing the education required to enable

Report of the Directors

for the year ended 31 December 2011

compliance by employees. We organize a week - long safety programme each year, to get employees involved with matters of safety.

13. Employees' interest

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

14. Analysis of shareholdings

Range	Number of shareholders	%	Number of shares held	%
Nigerian Public:				
1 - 100,000	1,577	88.95	16,904,091	3.46
100,001 - 500,000	125	7.05	24,875,304	5.10
500,001 - 1,000,000	32	1.80	21,699,615	4.45
1,000,001 - 5,000,000	34	1.92	58,769,934	12.04
Above 5,000,000	3	0.17	37,900,745	7.76
	1,771	99.88	160,149,689	32.81
Bank of Industry	1	0.06	61,571,328	12.61
Friesland Int'l Beheer B.V	1	0.06	266,446,951	54.58
Total	1,773	100.00	488,167,968	100.00

15. Suppliers

1. The Company's significant overseas suppliers are:

FrieslandCampina B.V, The Netherlands
Hoogwegt International BV, The Netherlands
Irish Dairy Board, Ireland
Kerry Ingredients Charleville Co, Ireland
Lakeland Dairies Bailie Foods Limited, Ireland
Murray Goulburn Cooperative Company Limited, Australia
Fonterra Limited, New Zealand

2. The Company's significant local suppliers are:

GMT Nigeria Limited
Nigerian Cartons and Packaging Company Limited
Presco Nigeria Limited
WAHUM Packaging Limited
Veepee Paper Products Limited
Arvee Industries Limited
Eskade Ventures Limited
Avons Crowns Cap Nigeria Plc
Nampak Plc
Rigid Pak Container Limited
Shonga Dairy Farms Limited

Report of the Directors

for the year ended 31 December 2011

16. Royalty agreements

The Company has a Know-How and Trade mark agreement and a Dairy Development agreement with Friesland Brands B.V., in the Netherlands.

Under the agreement, 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; and development of dairy farming in Nigeria.

The agreements specify a Royalty charge of a percentage of the turnover of the products produced and sold by FrieslandCampina WAMCO Nigeria Plc as follows - Trademark; and research and development Know-How license (1% each); Dairy development - 0.75%; and 2% of annual profit before tax in respect of Technical Know-How agreement.

The agreement is made with the approval of the National Office for Technology Acquisition & Promotion (NOTAP).

17. Donations

In 2011, the Company donated gifts and cash amounting to N 53.56 million (2010: N 39.10 million) as follows:

Beneficiary/Project	AMOUNT (₦)
Charity donations	
Besthsida Orphanage, Ikachi, Benue State	203,207.00
Bert Torey Home for mentally handicapped children, Zaria, Kaduna State	203,207.00
Child Care Trust, Abuja	203,207.00
Hope Worldwide Ikorodu Road, Lagos State	203,207.00
Little Saints of the Poor, Enugu, Enugu State	203,207.00
Madonna School for the Handicapped, Okpanam, Delta State	203,207.00
Franciscan Sisters of Immaculate, Lekki, Lagos State	203,207.00
Marble House of Sarah Charity Home, Ibusa, Delta State	203,207.00
Old Peoples Home, Yaba, Lagos State	203,207.00
Oluyole Cheshire Home, Ibadan, Oyo State	203,207.00
Our Lady of Lourdes Maternity & Clinic, Ipetunmodu, Osun State	203,207.00
Our Lady's Hospital & Orphanage, Zawan, Plateau State	203,207.00
Samaritan Project, Ebute-Metta, Lagos State	203,207.00
Red Cross Yaba, Lagos State	203,207.00
Ovie Brume Foundation, Victoria Island, Lagos State	203,207.00
Motherless Babies Home, Uzuakoli, Abia State	254,320.00
SDA Motherless Home, Aba, Abia State	254,320.00
Chims Motherless Babies Home, Aba, Abia State	154,320.00
Ufon Abasi Orphanage, Akwa-Ibom State	154,320.00
Heart of Gold Orphanage, Surulere, Lagos State	103,207.00
SOS Children's Village, Isolo, Lagos State	103,207.00
Little Saints Orphanage, Ikorodu, Lagos State	103,207.00
Marian Monastery, Enugu State	103,207.00
Dominican Sisters' College Abatete, Anambra State	103,207.00
Adonai Orphanage Home & Widow Centre, Kaduna State	103,207.00
	<hr/>
	4,484,627.00

Report of the Directors

for the year ended 31 December 2011

Water project

Community Solar Borehole - Iseyin in Oyo State	5,446,103.00
Community Solar Borehole - Fashola in Oyo State	5,446,103.00
Community Solar Borehole - Akele in Oyo State	5,446,103.00
Community Solar Borehole - Kachia in Oyo State	5,446,103.00
Conversion of 6 existing Water project to Solar (namely: Ibusa, Batagarawa, Kuje Esie, Brini Jimeta and Poro-Abaje)	7,780,500.00
Borehole Maintenance (civil work / branding / replacement of submersible)	6,627,600.00

36,192,512.00

Education

Tertiary Endowment	
University of Ibadan - Food Science & Technology Department	300,000.00
University of Maiduguri - Food Science & Technology Department	300,000.00
University of Nigeria Nsukka - Food Science & Technology Department	300,000.00
University of Uyo - Food Science & Technology Department	300,000.00
Federal University of Tech. Minna- Dept of Animal Production	300,000.00
Federal University of Tech. Yola (now Modibbo Adama University of Tech. Yola) - Dept of Food Science and Technology	300,000.00

School Adoption Project

Donation of double seater combined desk and chair to 18 schools	11,082,500.00
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12,882,500.00

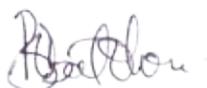
Total	53,559,639.00
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In accordance with Section 38(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year.

18. Auditors

In accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Auditors, KPMG Professional Services, have indicated their willingness to continue in office as Auditors of the Company.

BY ORDER OF THE BOARD



Bolade Obat-Olowu (Mrs.)
Company Secretary

Lagos, Nigeria
01 March 2012

Directors' Responsibilities

In relation to the Financial Statements

for the year ended 31 December 2011

The directors accept responsibility for the preparation of the annual financial statements set out on pages 27 to 43 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Jacobs Moyo Ajekigbe, OFR
01 March 2012



Robert Steetskamp
01 March 2012

Report of the Audit Committee

for the year ended 31 December 2011

In accordance with section 359(4) and (6) of the Companies And Allied Matters Act CAP C20 LFN 2004, we confirm that we have examined the Auditors' Report for the accounting year ended 31 December, 2011 and hereby declare as follows:

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

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



Mr. S.S. Adebayo
Chairman, Audit Committee
LAGOS, NIGERIA

21 February 2012

MEMBERS OF THE AUDIT COMMITTEE

Mr. S.S. Adebayo - Chairman
Sir S.N. Nwosu
Mr. O.G. Emodi
Mr. K. Garg
Ms. E.N. Oputu, OON
Rev. I.A. Agoye



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Internet www.ng.kpmg.com

Independent Auditor's Report

to the Members of FrieslandCampina WAMCO Nigeria PLC

Report on the financial statements

We have audited the accompanying financial statements of **FrieslandCampina WAMCO Nigeria PLC** ("the Company") which comprise the balance sheet as at 31 December 2011, and the profit and loss account, statement of cash flows and value added statement for the year then ended, and the statement of accounting policies, notes to the financial statements and the five year financial summary, as set out on pages 27 to 43.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of FrieslandCampina WAMCO Nigeria Plc as at 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

Report on other legal and regulatory requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of account.

1 March 2012
Lagos, Nigeria



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Registered in Nigeria No BN 986925

Abayomi D. Sanni
Adetola P. Adeyemi
Ayodele H. Othihiwa
Goodluck C. Obi
Oladapo R. Okubadejo
Oluseyi T. Bickersteth
Victor U. Onyenkpa

Adebisi O. Lamikanra
Adewale K. Ajayi
Ayo L. Salami
Joseph O. Tegbe
Oladimeji I. Salaudeen
Oluwatoyin A. Gbagi

Adekunle A. Elebute
Ajibola O. Olomola
Chibuzor N. Anyanechi
Kabir O. Okunlola
Olumide O. Olayinka
Tayo I. Ogungbenro

Statement of Accounting Policies

for the year ended 31 December 2011

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding years, except as disclosed in note (e) below, is set out as follows:

a. Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of land, buildings and plant and machinery.

b. Turnover

Turnover represents the invoiced value of goods delivered to third parties during the year, net of Value Added Tax and trade discounts.

c. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition of the asset. Costs relating to fixed assets under construction or in process of installation are disclosed as capital work-in-progress and are not depreciated. The cost attributable to each asset is transferred to the relevant category immediately the asset is ready for use and depreciated accordingly.

d. Depreciation

Depreciation is provided on a straight line basis to write off the cost/valuation of fixed assets less estimated residual value over their expected useful lives at the following annual rates:

Leasehold land	-	Over the life of the lease
Buildings	-	4%
Plant and machinery		
- Workshop machinery	-	5% (2010:10%)
- Filling and packaging machinery/lines	-	10% (2010:12.5%)
- Labelling, box packers and palletizers	-	6.67% (2010:12.5%)
- Utilities and Other P&M	-	7.5% (2010:10%)
Furniture, fittings and tools	-	20%
Motor vehicles	-	20%
Market kiosks	-	20%

Gains or losses on disposal of fixed assets are included in the profit and loss account. The impact in the change in useful lives of plant and machinery has been disclosed on Note 6 (c) of these financial statements.

e. Intangible assets

Intangible assets are recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. Expenditure that forms part of the cost of an intangible asset that meets the recognition criteria are capitalised as part of the intangible asset. Intangible assets are accounted for using the cost model. After initial recognition, the intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. 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 the profit and loss as incurred.

Amortisation is calculated over the cost of the asset, less its residual value. Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The Computer Software, SAP has a finite useful life which is estimated as five (5) years.

This is a new policy in line with the Statement of Accounting Standard number 31: On Intangible Assets issued by the Financial Reporting Council of Nigeria (formerly Nigerian Accounting Standards Board), which is effective for annual periods beginning on or after 1 January 2011. See Notes 7 for the necessary

for the year ended 31 December 2011

disclosure in response to the new accounting policy. There was no effect on either the profit and loss account or retained earnings.

Intangible assets not available for use are tested for impairment annually and are not amortised.

f. Debtors

Debtors are stated after the deduction of specific allowances for debts considered to be doubtful of collection.

g. Taxation

Income and education taxes payable are provided on taxable profits at the current statutory rate as at the balance sheet date. Income tax expenses/credits are recognised in the profit and loss account.

h. Deferred taxation

Deferred taxation is provided by the liability method at the ruling tax rate on the timing differences between the treatment of certain items for accounting purposes and their treatment for taxation. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the amount will be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i. Stocks

Stocks are valued at the lower of cost and net realizable value after making allowance for obsolete or slow moving or defective items. Net realizable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal.

Cost incurred in bringing each product to its present location and condition is based on:

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

j. Foreign currencies

Transactions arising in foreign currencies are recorded in Naira at the approximate rates of exchange ruling at the time they arise. Monetary assets and liabilities existing in foreign currencies are converted to Naira at the exchange rate applicable at the balance sheet date. Gains and losses arising therefrom are included in the profit and loss account.

k. Retirement benefit and gratuity scheme

i. Pension fund scheme:

The Company operates a defined contribution pension scheme for all its Nigerian staff in accordance with the Pension Reform Act 2004. Contribution to the scheme is based on 7.5% of the relevant emoluments by employee, while employer contributes 10.5%. Staff contributions to the scheme are funded through payroll deductions while the Company's contributions are charged to the profit and loss account.

ii. Gratuity scheme:

The Company also operates a staff gratuity scheme, which is accrued over the service lives of the employees and fully recorded as a liability in the financial statements. Benefits payable to employees on retirement or resignation are accrued for under an annualized defined benefit plan.

iii. Other long term employee benefits:

These are Long Service Awards payable upon completion of certain years in service and accrued over the service lives of the employees.

The provision is based on independent actuarial valuation performed on the projected unit credit basis.

l. Provisions

A provision is recognized when the Company has a present obligation whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m. Impairment

The carrying value of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying value of an asset exceeds its recoverable amount.

Impairment losses are recognized in the income statement except where they relate to previously revalued assets, in which case, they are recognized directly against any revaluation surplus to the extent that an amount is included in the revaluation reserve account for the related assets, with any remaining loss recognized in the income statement.

n. Unclaimed dividend

Dividends which remain 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 the Companies and Allied Matters Act of Nigeria are written back to retained earnings.

o. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is required to be presented in respect of the Company's business and geographical segments, where applicable.

The Company's primary format for segment reporting is based on geographical segments. The geographical segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

p. Revaluation reserve

Surplus/(deficits) arising on revaluation of individual fixed assets are (credited)/debited to a non-distributable reserve known as revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset are charged to the profit and loss account.

On disposal of previously revalued fixed assets, an amount equal to the revaluation surplus attributable to that asset is transferred from the revaluation reserve to retained earnings.

q. Government grants

Export Expansion Grants (EEG), which compensate the Company for expenses incurred in making exports, are recognised when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, cash balances with banks and short term investments in money market instruments, net of outstanding bank overdrafts.

s. Interest income

Interest income comprises interest on funds invested. Interest income is recognised in the profit and loss account, when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

t. Interest expense

Interest expense comprises interest expense on borrowings and bank charges and is recognised in the profit and loss account. Interest expenses that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised with the cost of the asset.

Profit and Loss Account

for the year ended 31 December 2011

	Note	2011 ₦'000	2010 ₦'000
Turnover	1	104,984,277	90,399,530
Cost of sales		(84,907,230)	(67,570,239)
		20,077,047	22,829,291
Exceptional item	4	1,070,000	-
Gross profit		21,147,047	22,829,291
Sales, marketing and distribution expenses		(5,321,124)	(5,165,117)
Administrative expenses		(2,562,327)	(2,156,791)
Exceptional item	4	(458,586)	-
Other income	2	516,141	401,251
Operating profit		13,321,151	15,908,634
Interest income		679,113	1,080,909
Interest expense		(8,461)	(5,986)
Profit before taxation	3	13,991,803	16,983,557
Taxation	5(i)	(4,077,337)	(5,364,646)
Profit after taxation		9,914,466	11,618,911
Appropriations			
Interim dividend paid	17	1,474,267	2,194,803
Transfer to revenue reserves	17	8,440,199	9,424,108
		9,914,466	11,618,911
Basic earnings per share (Naira)	22	20.31	29.75
Declared dividend per share (Naira)	22	22.32	28.11

The accounting policies on pages 27 to 29 and the explanatory notes on pages 33 to 41 form part of these financial statements.

Balance Sheet

as at 31 December 2011

	Note	2011 ₦'000	2010 ₦'000
Non - current assets			
Fixed assets	6	8,929,593	6,119,590
Intangible assets	7	101,726	-
Long term receivables	8	179,079	275,024
		9,210,398	6,394,614
Current assets			
Stocks	9	18,528,699	16,608,447
Debtors and prepayments	10	4,714,684	1,932,709
Amounts due from related companies	13(i)	232,848	52,698
Short term deposits	11	8,194,222	16,136,014
Bank and cash balances		377,796	457,163
		32,048,249	35,187,031
Current liabilities			
Trade creditors		18,141,390	16,513,095
Other creditors and accrued expenses	12	3,316,463	3,258,069
Amounts due to related companies	13(ii)	1,549,715	1,115,683
Dividend payable	21	52,093	107,928
Tax payable	5(ii)	3,637,847	5,259,654
		26,697,508	26,254,429
Net current assets		5,350,741	8,932,602
Total assets less current liabilities		14,561,139	15,327,216
Long term liabilities			
Deferred taxation	14	1,160,042	603,012
Gratuity and other long term employee benefits	15	1,860,435	2,200,147
Net assets		11,540,662	12,524,057
Capital and reserves			
Share capital	16(ii)	488,168	390,535
Share premium		350,211	350,211
Fixed assets revaluation reserve		147,615	147,615
Revenue reserve	17	10,554,668	11,635,696
		11,540,662	12,524,057

The financial statements on pages 27 to 43 were approved by the Board of Directors on 1 March 2012 and signed on its behalf by:

	}
Mr. J. M. Ajekigbe OFR	
	
Mr. Robert Steetskamp	

The accounting policies on pages 27 to 29 and the explanatory notes on pages 33 to 41 form part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 ₦'000	2010 ₦'000
Cash flows from operating activities			
Cash receipts from customers		106,265,815	91,149,421
Cash payments to suppliers and employees		(94,151,838)	(70,113,383)
Cash generated from operations		12,113,977	21,036,038
Income taxes paid	5(ii)	(5,142,114)	(4,720,086)
VAT paid		(1,212,898)	(1,152,145)
Net cash provided by operating activities	18	5,758,965	15,163,807
Cash flows from investing activities			
Interest received		679,113	1,080,909
Purchase of fixed assets	6	(3,415,122)	(1,912,198)
Purchase of intangible assets	7	(101,726)	-
Proceeds from sale of fixed assets		19,768	24,770
Net cash utilized by investing activities		(2,817,967)	(806,519)
Cash flows from financing activities			
Interest paid		(8,461)	(5,986)
Dividend Paid	21	(10,953,696)	(10,947,687)
Net cash utilized by financing activities		(10,962,157)	(10,953,673)
Net (decrease)/increase in cash and cash equivalents		(8,021,159)	3,403,615
Cash and cash equivalents at 1 January		16,593,177	13,189,562
Cash and cash equivalents at 31 December	19	8,572,018	16,593,177

The accounting policies on pages 27 to 29 and the explanatory notes on pages 33 to 41 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
1 Turnover		
Analysis of turnover by geographical area is as follows:		
Local	103,401,678	89,111,249
Export to other west african countries	1,582,599	1,288,281
	104,984,277	90,399,530
2 Other income		
Other income represents export expansion grants in respect of export sales made by the Company.		
3 Profit before taxation		
This is arrived at after charging/(crediting)		
Depreciation of fixed assets	580,466	765,700
Directors' emoluments (Note 20 (i))	52,276	46,166
Auditor's remuneration	11,000	11,000
Technical Assistance Royalty fees (Note 13(iii))	2,962,622	1,899,768
Staff cost (Note 20 (iii))	5,521,777	4,272,348
Loss on foreign exchange	330,293	100,011
Loss/(profit) on disposal of fixed assets	4,885	(2,093)
4 Exceptional items		
a) Insurance claims for loss of profits arising from business interruption (Note (i))	1,070,000	-
b) Insurance claims for damage to stock and engineering spares (Note (i))	2,505,555	-
Damage to stock and engineering spares due to flood (Note (i))	(2,682,164)	-
	(176,609)	-
c) Employee restructuring costs (Note (ii))	(281,977)	-
	(458,586)	-

- i The severe Lagos flood of 10 July 2011 swept into the Company's premises resulting in significant damage to various categories of stock items and the production facility which caused the facility to shut down for some time. The Company incurred a loss of ₦2.68 billion arising from damage to stock and engineering spare parts. The incident was covered by insurance.

Consequently, in December 2011, compensation of ₦2.51billion and ₦1.07billion was awarded by the Company's insurers in respect of the damage to stock and engineering spares; and the business interruption, respectively.

An advance payment of N1 billion was paid in August 2011 by the insurance companies in respect of the total benefit. As at year end, an amount of ₦2.58 billion (Note 10) was due from the insurance companies.

As at the date of sign off of financial statements, the Company has collected ₦2.2 billion out of the outstanding balance of the insurance claim as at year end.

- ii Employee related restructuring costs relate to termination benefits paid as a consequence of reorganisation carried out in order to improve on the Company's operational efficiency.

Notes to the

Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
5 Taxation		
i Profit and loss account		
Income tax charge at 30% based on the taxable profit for the year	3,365,766	4,787,851
Education tax at 2% of assessable profit	272,081	356,742
Over provision in prior years	(117,540)	-
	3,520,307	5,144,593
Deferred tax charge (Note 14)	557,030	220,053
	4,077,337	5,364,646
ii Balance sheet		
At 1 January	5,259,654	4,835,147
Charge for the year	3,520,307	5,144,593
Payments during the year	(5,142,114)	(4,720,086)
At 31 December	3,637,847	5,259,654

6 Fixed assets

(a) The movement on these accounts are as follows:

	Land and Buildings ₦'000	Plant and Machinery ₦'000	Motor Vehicles ₦'000	Furniture, Fittings and Tools ₦'000	Market Kiosks ₦'000	Work in progress ₦'000	Total ₦'000
Cost or valuation:							
At 1 January 2011	1,991,400	6,018,719	979,660	269,119	119,629	1,162,047	10,540,574
Transfers		1,162,045				(1,162,045)	-
Additions	1,169,080	896,120	175,768	67,757	-	1,106,397	3,415,122
Disposals		(102,767)	(78,278)	-	(119,629)	-	(300,674)
At 31 December 2011	3,160,480	7,974,117	1,077,150	336,876	-	1,106,399	13,655,022
Depreciation:							
At 1 January 2011	460,003	3,283,043	400,651	157,663	119,624	-	4,420,984
Charge for the year	86,714	304,994	156,863	31,895	-	-	580,466
Disposals	-	(98,201)	(58,196)	-	(119,624)	-	(276,021)
At 31 December 2011	546,717	3,489,836	499,318	189,558	-	-	4,725,429
Net book value:							
At 31 December 2011	2,613,763	4,484,281	577,832	147,318	-	1,106,399	8,929,593
At 31 December 2010	1,531,397	2,735,676	579,009	111,456	5	1,162,047	6,119,590

(b) Leasehold land and buildings and plant and machinery were last revalued on 30 September 1992 by Messrs. Okolo and Okolo Associates, Chartered Surveyors and Valuers based on market values. The values were incorporated in the books at that date. They are stated at that valuation plus subsequent additions at cost. Plants and Machinery at valuation have been fully depreciated while the Net Book Value of Land and Building carried at valuation amounted to ₦442,388 (2010: ₦667,962).

(c) In 2011 the Company performed a re-assessment of the useful lives of certain Plant and Machinery (P&M) items and extended their useful lives based on historical performance trends of these P&M items and in line with the Royal FrieslandCampina current group practice. The change in estimated useful lives resulted in a reduction of the depreciation charge to the Profit and Loss account in current year by ₦106.67 million

(d) Capital commitments
The approved capital expenditure already committed as at balance sheet date was ₦537million (2010: ₦125million).

Notes to the Financial Statements

for the year ended 31 December 2011

7 Intangible assets

	Computer Software	
	2011 ₦'000	2010 ₦'000
a) The movement on this account was as follows:		
COST:		
At 1 January 2011	-	-
Additions	101,726	-
At 31 December 2011	101,726	-

- b) The intangible assets represent cost of SAP accountings software which was acquired separately, but is not available for use as at year end. No amortization has therefore been charged on the asset. The carrying amount of the intangible asset does not exceed its recoverable amount at year end.

As at year end, the EXACT accounting software which was fully amortised prior to 31 December 2009 was still being used by the Company.

- c) The contractual commitments for the acquisition of intangible assets as at year end amounts to ₦20 million.

8 Long term receivables

	2011 ₦'000	2010 ₦'000
i Employees car loan Note (ii)	97,985	86,875
Long-term prepayment Note (iii)	81,094	188,149
	179,079	275,024

- ii Employees car loans represent loans granted to the company's employees which is backed by employee retirement benefits. It is analysed as follows:

	2011 ₦'000	2010 ₦'000
Employee car loans	141,230	141,835
Less: Current portion included in current debtors and prepayments (Note 10)	(43,245)	(54,960)
	97,985	86,875

- iii Long-term prepayment represents advance rental payments to third parties and is analysed as follows:

	2011 ₦'000	2010 ₦'000
Rent prepayment	291,009	407,644
Less: Current portion included in current debtors and prepayment (Note 10)	(209,915)	(219,495)
	81,094	188,149

Notes to the

Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
9 Stocks		
Raw materials	5,825,159	3,941,756
Finished goods	4,496,496	4,163,344
Goods in transit	7,501,133	7,843,819
Engineering spares	705,911	659,528
	18,528,699	16,608,447
10 Debtors and prepayments		
Trade debtors	209,530	182,053
Allowance for bad debts	-	(14,114)
	209,530	167,939
Insurance claims receivable (Note 4(i))	2,575,555	-
Other debtors	1,575,287	1,360,135
Deposit with Registrars for dividend	52,093	54,524
Retail driven distribution vehicles loan	49,059	75,656
Current portion of rental prepayments (Note 8(iii))	209,915	219,495
Current portion of employee car loan (Note 8(ii))	43,245	54,960
	4,714,684	1,932,709
11 Short - term deposits		
Short term deposits with banks	8,194,222	16,136,014
The amount of ₦1.442 billion (2010: ₦1.798billion) out of this balance has been set aside with the intention that it be used to fund the staff gratuity liability.		
12 Other creditors and accrued expenses		
Sundry creditors	182,190	312,102
Distributors payment in advance	1,283,279	1,316,347
Accrued expenses	1,850,994	1,629,620
	3,316,463	3,258,069
13 Amount due from / to related companies		
i Amount due from related companies		
FrieslandCampina West Africa Ghana (Note (v))	66,957	-
FrieslandCampina BV (Note (iv))	165,891	52,698
	232,848	52,698
ii Amount due to related companies		
FrieslandCampina West Africa Ghana (Note (v))	2,782	46,960
Friesland Brands B.V. (Note (iii))	768,972	660,334
FrieslandCampina B.V.(Note (iv))	777,961	408,389
	1,549,715	1,115,683

Notes to the Financial Statements

for the year ended 31 December 2011

iii Friesland Brands BV

The Company has a Know-How and Trade mark agreement; and Research & Development Technical Know-How agreement with Friesland Brands B.V., in the Netherlands, for which it pays Royalties. The Company also has a Dairy Development Agreement with Friesland Brands BV for transfer of Know How to develop dairy farming in Nigeria, 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; and Dairy Development agreement are computed as a percentage of net sales of the related products. An amount of ₦2.963billion (2010: ₦1.900billion) has been charged to the profit and loss account in respect of these fees (Note 3).

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

iv FrieslandCampina BV

The Company also entered into transactions with FrieslandCampina B.V., for the purchase of finished products, raw materials, spare-parts among others from some foreign suppliers. FrieslandCampina BV maintains a current account with the Company in respect of these transactions. The receivable from FrieslandCampina BV relates to advance payments in respect of materials, finish products and other items.

v FrieslandCampina West Africa, Ghana

The Company exports milk products to FrieslandCampina West Africa, Ghana. A trade discount of 10% of the total export sales is payable to Ghana by the Company. The receivable from FrieslandCampina West Africa, Ghana relates to the trade receivables amount on goods exported to Ghana.

	2011 ₦'000	2010 ₦'000
14 Deferred taxation		
At 1 January	603,012	382,959
Charge for the year 5 (i)	557,030	220,053
At 31 December	1,160,042	603,012
15 Gratuity and other long term employee benefits		
i Defined benefit employees' gratuity obligation		
At 1 January	1,798,856	1,620,906
Provisions for the year	295,022	247,226
Payments during the year	(651,443)	(69,276)
At 31 December	1,442,435	1,798,856
ii Defined benefit long service award obligation		
At 1 January	401,291	383,537
Provisions for the year	60,553	29,717
Payments during the year	(43,844)	(11,963)
At 31 December	418,000	401,291
	1,860,435	2,200,147
16 Share capital		
The movement in share capital account was as follows:		
i Authorised		
500,000,000 Ordinary shares of ₦1.00 each	500,000	500,000
ii Allotted, Called-up and fully paid:		
488,167,969 (2010: 390,534,375) ordinary shares of ₦1.00 each		
At 1 January	390,535	390,535
Bonus shares issued (Note 17)	97,633	-
At 31 December	488,168	390,535

Notes to the

Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
17 Revenue reserve		
The movement in share capital account was as follows:		
At 1 January	11,635,696	10,994,706
Prior year final dividend paid	(9,423,594)	(8,783,118)
	2,212,102	2,211,588
Bonus shares issued (Note 16 (ii))	(97,633)	-
Transfer from profit and loss account	8,440,199	9,424,108
At 31 December	10,554,668	11,635,696

At the Annual General Meeting on 29 April 2011, the shareholders approved:

- The recommendation of Directors that the sum of ₦97,633,594 be capitalised from revenue reserve as bonus issue in the proportion of one ordinary share of ₦1.00 each for every four ordinary shares, each share to rank pari-passu with the existing shares.
- A final dividend of ₦24.13 per share amounting to ₦9,423,594,469. This amount was paid on to the shareholders whose names appeared on the Company's register of members at close of business on 12 April 2011.

In respect of current year, interim dividend of ₦1,474,267,266 (2010: ₦2,194,803,188) translating to ₦3.02 (2010: ₦5.62) per ordinary share was paid. In addition, the Directors are proposing that a final dividend of ₦17.29 (2010: ₦24.13) per ordinary share be paid to shareholders. 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. The total estimated final dividend to be paid if approved is ₦8,440,424,184 (2010: ₦9,423,594,469).

The interim and final dividends will amount to ₦9,914,691,450 (2010: ₦11,618,397,657) and this will translate to ₦20.31 (2010: ₦29.75) per share.

	2011 ₦'000	2010 ₦'000
18 Reconciliation of net income to net cash provided by operating activities:		
Profit after taxation	9,914,466	11,618,911
	9,914,466	11,618,911
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	580,466	765,700
Interest income	(679,113)	(1,080,909)
Interest expense	8,461	5,986
Loss/(Profit) on sale of fixed assets	4,885	(2,093)
Changes in assets and liabilities		
Decrease/(increase) in long term receivables	95,945	(113,881)
Increase in stocks	(1,920,252)	(5,958,284)
Increase in debtors and prepayments	(2,781,975)	(958,175)
Increase in trade creditors	1,628,295	8,821,802
Increase in other creditors and accrued expenses	58,394	932,457
(Increase)/decrease in due from related companies	(180,150)	227,715
Increase in due to related companies	434,032	64,314
(Decrease)/increase in tax payable	(1,621,807)	424,507
Increase in deferred taxation	557,030	220,053
(Decrease)/increase in gratuity and other long term employee benefits	(339,712)	195,704
Total adjustments	(4,155,501)	3,544,896
Net cash provided by operating activities	5,758,965	15,163,807

Notes to the Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
19 Cash and cash equivalents		
Cash and bank balances	377,796	457,163
Short term deposits	8,194,222	16,136,014
	8,572,018	16,593,177
20 Information regarding directors and employees		
a) Chairman's and Directors' remuneration		
i Fees	1,500	1,500
Other emoluments (excluding pension and certain other benefits)	50,776	44,666
	52,276	46,166
ii The Directors' remuneration shown above includes:		
Chairman	2,814	3,213
Highest paid director	17,407	10,427
iii The number of Directors excluding the Chairman and highest paid director with gross emoluments within the bands stated below were:		
	Number	Number
₦ 3,000,001 - ₦ 4,000,000	7	7
9,000,001 - 10,000,000	-	1
10,000,001 - 11,000,000	-	-
13,000,001 - 14,000,000	1	-
b) Employees		
i The number of persons in the Company's employment during the year is as follows:		
Production	489	517
Supply chain	34	38
Sales and marketing	123	127
General administration	160	188
	806	870
ii Aggregate payroll costs (excluding certain benefits) is as follows:	2011 ₦'000	2010 ₦'000
Wages and Salaries	3,155,108	2,307,617
Agency Staff Cost	439,445	445,788
Pension and gratuity costs	473,568	393,927
Training, recruitment and other personnel expenses	1,453,656	1,125,016
	5,521,777	4,272,348
iii The number of employees of the Company as at 31 December 2011 whose duties were wholly and mainly discharged in Nigeria received annual remuneration (excluding pension and certain benefits) in the following ranges:		
	Number	Number
₦ 560,001 - ₦ 610,000	1	12
610,001 - 660,000	1	44
660,001 - 710,000	-	22
710,001 - 760,000	39	36
760,001 - 810,000	15	57
810,001 - 860,000	43	5
890,001 and above	707	694
	806	870

Notes to the

Financial Statements

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000
21 Dividend payable		
At 1 January	107,928	77,694
Declared dividend	10,897,861	10,977,921
Payment during the year	(10,953,696)	(10,947,687)
At 31 December	52,093	107,928

Amount above represents total unclaimed dividend as at year end for which cash has been given to the Registrars (Note 10).

22 Basic earnings per share and declared dividend per share

Basic earnings per share of ₦20.31 (2010: N29.75) and declared dividend per share* of ₦27.15 (2010: ₦28.11) are based on profit after taxation of ₦9,914,466,944 (2010: ₦11,618,911,157) and total declared dividend of ₦10,897,861,735 (2010: ₦10,977,921,281) respectively. The number of ordinary shares of N1 each in issue as at 31 December 2011 was 488,167,969 (2010: 390,534,375).

23 Post balance sheet event

There were no significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2011 that have not adequately been provided for or disclosed in these financial statements.

24 Guarantees and other financial commitments

(a) Contingent liabilities

The Company has contingent liabilities in respect of guarantees given for staff loans which is backed by employees' retirement benefits. The loans are analysed as follows:

	2011 ₦'000	2010 ₦'000
a) Staff car loans	63,544	65,213
b) Staff housing loans	237,431	178,566

(b) Pending litigations

There is a law suit pending against the Company in a court of law and a claim against the Company which are being handled by external legal counsel. The contingent liability in respect of these amounted to ₦29.5million (2010: ₦5.5million) as at 31 December 2011. In the opinion of the Directors and based on independent legal advice, no material loss is expected to arise from this claim. Hence, no provision has been made in the financial statements.

25 Segment reporting

The Company's primary geographical segment is Nigeria. Over 98% of the Company's sales are made in Nigeria. Also, all of the Company's products have identical risks and returns. Therefore, no further business or geographical segments information is reported.

* Declared dividend per share represents interim dividend declared during the year and final dividend proposed for the preceding year but declared during the current year.

Notes to the Financial Statements

for the year ended 31 December 2011

26 Corresponding figures

Certain prior year corresponding figures have been reclassified in line with the current year presentation format.

27 Other information

i **Legal form of the Company**

FrieslandCampina WAMCO Nigeria Plc was incorporated 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.

ii **Principal activity**

The Company principally engages in the manufacturing and marketing of evaporated milk, instant milk powder and other dairy products. There was no change in the activities of the Company during the year.

iii **Relationship with significant suppliers**

The Company has no relationship with its significant local suppliers. However, some of the significant foreign suppliers are members of the FrieslandCampina group. FrieslandCampina B.V, a member of the group sources most of the raw materials, finished goods and spare parts for the Company. (Note 13).

Value Added Statement

	2011 ₦'000	%	2010 ₦'000	%
Turnover	104,984,277		90,399,530	
Less: Bought in products and services:				
- Imported	(15,782,500)		(12,663,090)	
- Local	(70,294,524)		(57,197,269)	
	18,907,253		20,539,171	
Other income	516,141		401,251	
Interest received	679,113		1,080,909	
Value added	20,102,507	100	22,027,591	100

Distribution of value added

To employees

Salaries, wages, fringe and end of service benefits	5,521,777	28	4,272,348	20
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To providers of finance

Interim dividend to shareholders	1,474,267	7	2,194,803	10
Interest to lenders	8,461	-	5,986	0

To government

Taxes	4,077,337	20	5,364,646	24
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Retained in the business

For replacement of fixed assets (Depreciation)	580,466	3	765,700	3
To pay proposed dividends	8,440,199	42	9,424,108	43

	20,102,507	100	22,027,591	100
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Note

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

Financial Summary

for the year ended 31 December 2011

	2011 ₦'000	2010 ₦'000	2009 ₦'000	2008 ₦'000	2007 ₦'000
Balance sheet					
Assets employed					
Fixed assets	8,929,593	6,119,590	4,995,769	4,050,378	3,080,874
Intangible assets	101,726	-	-	-	-
Long term receivables	179,079	275,024	161,143	130,362	-
Current assets	32,048,249	35,187,031	25,094,672	20,578,841	15,885,169
Current liabilities	(26,697,508)	(26,254,429)	(15,981,115)	(15,390,966)	(10,493,770)
	14,561,139	15,327,216	14,270,469	9,368,615	8,472,273
Long term liabilities and provisions					
Gratuity and other long term employee benefits	(1,860,435)	(2,200,147)	(2,004,443)	(1,395,461)	(1,249,998)
Deferred tax liability	(1,160,042)	(603,012)	(382,959)	(390,032)	(231,824)
	11,540,662	12,524,057	11,883,067	7,583,122	6,990,451
Financed by					
Share capital	488,168	390,535	390,535	390,535	390,535
Share premium	350,211	350,211	350,211	350,211	350,211
Fixed assets revaluation reserve	147,615	147,615	147,615	147,615	147,615
Revenue reserve	10,554,668	11,635,696	10,994,706	6,694,761	6,102,090
Shareholders' funds	11,540,662	12,524,057	11,883,067	7,583,122	6,990,451
Profit and loss account					
Turnover	104,984,277	90,399,530	76,377,850	62,173,083	49,653,609
Profit before taxation	13,991,803	16,983,557	15,353,130	6,778,156	5,659,695
Taxation	(4,077,337)	(5,364,646)	(4,796,824)	(2,205,940)	(1,858,483)
Profit after taxation	9,914,466	11,618,911	10,556,306	4,572,216	3,801,212
Interim dividend paid	(1,474,267)	(2,194,803)	(1,773,026)	(1,230,183)	(1,050,539)
Transfer to revenue reserve	8,440,199	9,424,108	8,783,280	3,342,033	2,750,673
Per share data (N1.00 per share)					
Basic earnings	20.31	29.75	27.03	11.71	9.73
Net assets	23.64	32.07	30.43	19.42	17.90

Note:

Basic earnings per share is based on the profit after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on the net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

PEAK CHOCO



The Complete Choco Milk

Proxy Card



FrieslandCampina air

FrieslandCampina WAMCO Nigeria PLC (RC 11330)

39th Annual General Meeting of FrieslandCampina WAMCO Nigeria PLC to be held at the Grand Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos on Thursday, 26 April, 2012 at 11:00 a.m.

*I/We _____

being a member/members of FrieslandCampina WAMCO Nigeria PLC hereby appoint

Chief/Mr/Mrs _____

of _____

or Chief/Mr/Mrs _____

of _____ as my/our

Proxy to vote for me/us and act on my /our behalf at the Annual General Meeting of the company to be held on 26 April, 2012 and at any adjournment thereof.

Dated this _____ day of _____ 2012

Signature _____

NOTE:

Executed cards of the proxy duly stamped by the Commissioner of Stamp Duties should be deposited with the Registrar, **First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos** not later than 48 hours before the time for holding the meeting.



FrieslandCampina air

FrieslandCampina WAMCO Nigeria PLC (RC 11330)

Admission Slip

39th Annual General Meeting of FrieslandCampina WAMCO Nigeria PLC to be held at the Grand Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos on Thursday, 26 April, 2012 at 11:00 a.m.

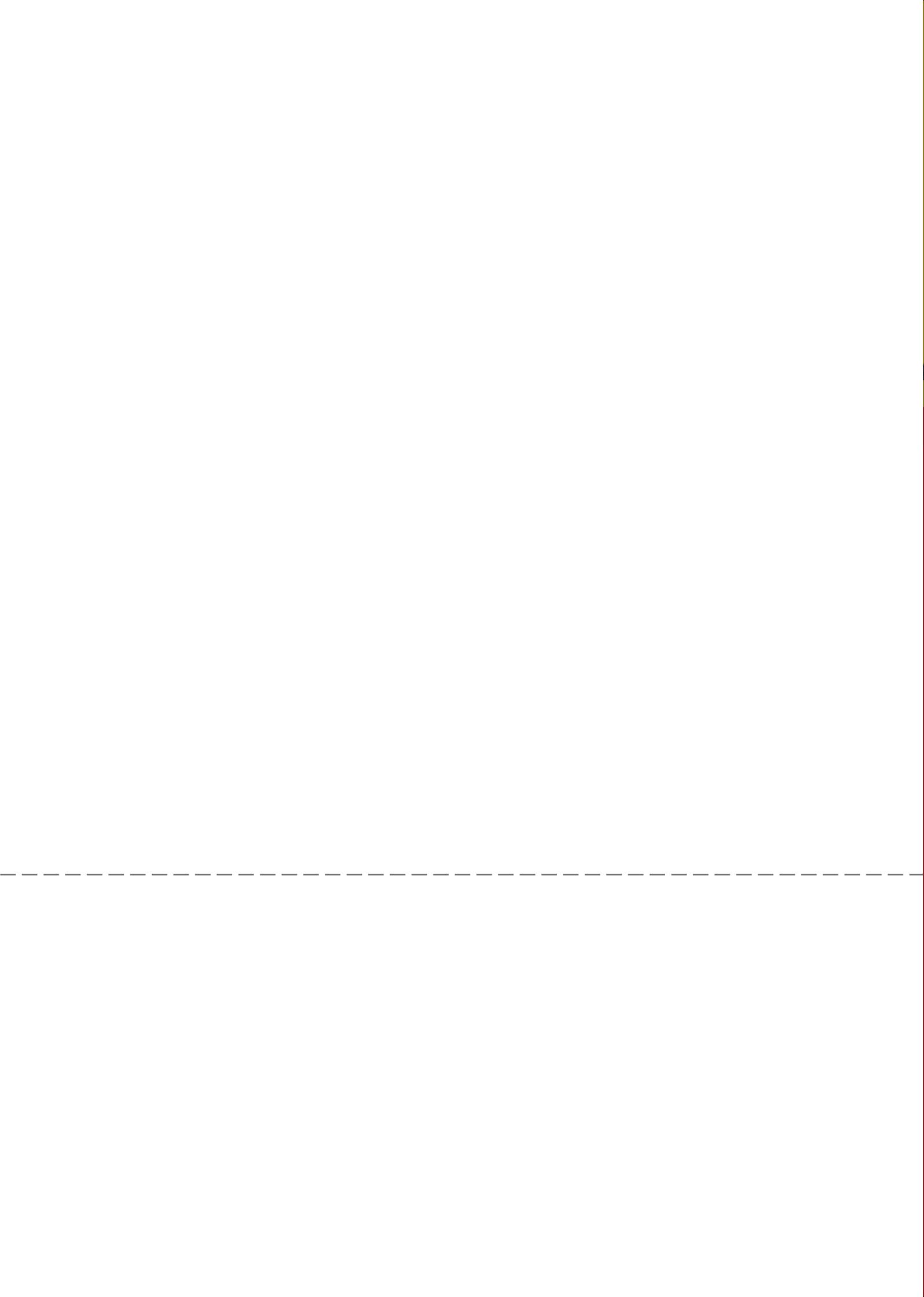
Name of shareholder _____ Number of shares held _____

Name of person attending _____ Signature _____

IMPORTANT

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

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





NEW



**BUILDING
STRONG
FAMILIES**

Dairy development program in progress

FrieslandCampina WAMCO began local sourcing of fresh milk in Nigeria in August 2010 after the signing of a Memorandum of Understanding (MoU) with Shonga Dairies in Kwara State; a commitment the company continued to drive in 2011 under its Dairy Development Program.

The goal of the program is to enable the company source a significant part of its raw milk needs from Nigeria, thereby increasing local content. In the year under review, the company signed a Memorandum of Understanding with the Federal Ministry of Agriculture and went on to set up a pilot Milk Collection Centre (MCC) in a Fulani settlement, Bale village, Fashola in Oyo state. Prior to this, various extension and community engagement activities were carried out in the area including consultations with the Fulani heads, sensitization, identification of the Fulani residences, registration, grouping and training of the Fulani dairy herders and owners.

Other highlights of the programme are:

- Training of two DDP officers from the Company and an officer from the National Livestock Development Project (NLDP) in Vietnam to understudy dairy development activities of FrieslandCampina Vietnam and acquire skills in animal health and production/milk collection.
- To improve the quality and quantities of raw milk from Fasola environs, solar powered boreholes were constructed in three of the settlements namely Bale, Kachia and Akele. Raw milk containers were



distributed to all the farmers to convey fresh milk to the MCC.

- Provision of free medical consultation, treatment and advisory services to ensure wellbeing of the cattle. The Extension Officer, who is a Veterinary doctor, is always available to attend to the cattle. Quality and affordable drugs are also available at the MCC for the cattle.
- In collaboration with the Federal Ministry of Agriculture, we intend to expand our activities towards the grazing reserve in Wasinmi, Oyo state, where four other MCCs are being constructed and we hope to start raw milk collection activities in Budo Musa, Ijio, Samo and Ayegun within the next few months.



“The goal of the program is to enable the company source a significant part of its raw milk needs from Nigeria, thereby increasing local content.”

Project new ways

In order to extend distribution to the rural areas (60% of population), FrieslandCampina WAMCO Nigeria in 2008, introduced a program to make milk accessible in the hinterland communities across Nigeria.

The project is propagated through Community Distributors' who are Traditional Heads or individuals recommended by them.

The Community Distributor's Sales Canvassers sell Peak and Three Crowns portion packs to residents from door-to-door.

The operation in a community is preceded by a formal launch where our products are introduced to the community. The launch provides a platform for educating the residents on the benefits of milk and also serves as the occasion for introducing the Community Distributor, as well as the Canvassers to potential consumers.

Similarly, in order to ensure that Peak and Three Crowns maintain dominance in terms of availability and off-take across all channels, market activations are carried out tactically through out the year.

“ Project New Ways operation in a community is preceded by a formal launch where our products are introduced to the community. The launch provides a platform for educating the residents on the benefits of milk and also serves as the occasion for introducing the Community Distributor, as well as the Canvassers to potential consumers.”



Peak extra-fortified PLUS

In order to sustain market leadership, and strengthen functional brand positioning of Stronger Bodies and Sharper Minds, Peak, the number one milk brand in Nigeria for almost 60 years, was re-launched in 2011.

The big idea of the relaunch is 'Get More Out of Milk'. This was predicated on three strategic pillars:

- Fortification with Folic Acid and Vitamin B12 increasing the nutritional relevance of Peak
- A Fresher and dynamic design
- Fully integrated (360 degree) functional campaign communicating benefits of the upgraded recipe to our teeming consumers.

The recipe upgrade is aimed at reducing nutritional deficiencies in the diet of Nigerian families, in line with WHO's policies in the developing countries.

As a compliment to this product innovation, one million Nigerians have endorsed the Peak brand (signing on the giant mock pack) as the only milk that is Extra Fortified PLUS on top of 28 vitamins and minerals.

The relaunch of Peak will sustain the brand's ambition to continually improve its quality and be more accessible and affordable to Nigerian consumers.

Peak talent show

Peak Talent show returned for a bigger, better and more exciting season 3 bringing the Peak It's in You campaign alive and driving further a deeper emotional connection between Peak and Nigerian consumers.

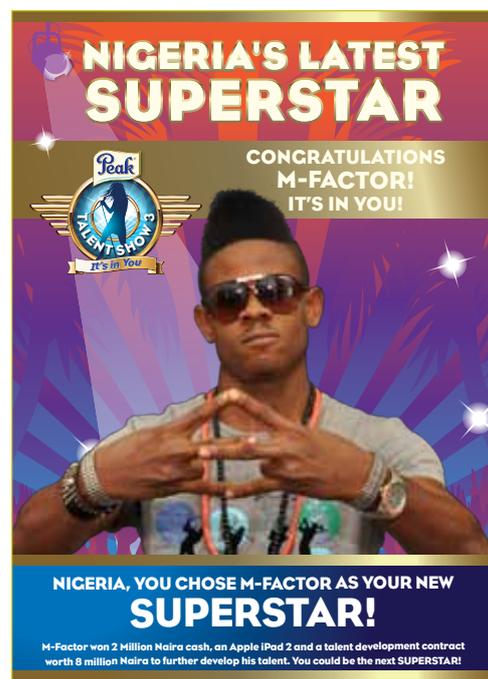
After 13 weeks of compelling TV shows, Marvelous Osunbor a.k.a



“As a compliment to this product innovation, one million Nigerians have endorsed the Peak brand (signing on the giant mock pack) as the only milk that is Extra Fortified PLUS on top of 28 vitamins and minerals.”

M-Factor a sensational rapper emerged winner of season 3.

Peak “It's in you” is about self-belief and working hard to achieve your dream. Therefore, Peak remains committed to discover and help develop individuals with entertainment talents.



Three crowns royal family game show

The Three Crown Royal Family game show premiered last year to further strengthen Three Crowns' bond with consumers in line with her pay off "Building Strong Families."

The show, which lasted for 13 weeks, featured 27 families who participated in 3 tasks in the 3 segments of the show that tested concentration, speed and precision, physical fitness and intimacy between families.

All the participating families won various gifts and also had the opportunity to interact with celebrities at the Three Crowns villa.

At the end of the very engaging and exciting show, the Ogunsanya family emerged the winner of the grand prize of a Toyota Avanza and One Million Naira.

Three Crowns Royal family game show will further endear Three Crowns milk to target audience thereby stimulating brand purchase.



“Three Crowns Royal family game show will further endear Three Crowns milk to target audience thereby stimulating brand purchase.”



Growing together

FrieslandCampina WAMCO staff strength cuts across different cadres, religion, tribe and status. These differences notwithstanding, our goals remain the same as we grow together. In a bid to promote this, staff are brought together through various bonding initiatives such as the annual Managing Director's Cup competition that features football events across the departments, bi-annual fitness walk and annual year-end staff parties that bring the families of all staff together.

Staff bonding has contributed greatly in strengthening trust in the organization by building a closer working relationship among staff members, towards the achievement of common goals. It has assisted the organization in developing leadership skills by spotting natural leaders who display exemplary leadership disposition in bonding process.



“FrieslandCampina WAMCO staff strength cuts across different cadres, religion, tribe and status. These differences notwithstanding, our goals remain the same as we grow together.”



Project Blue - SAP implementation

SAP stands for Systems Application and Products and is an enterprise wide system which has been implemented in WAMCO from May 2011-December 2011. The SAP ERP application is expected to continuously support business processes and improve operational efficiency as it has been tailored to the specific needs of WAMCO during the implementation Process.

The Project BLUE (a name crafted to label the project) was formally launched in May 2011 to replace 'Exact' which was the legacy system in the Company. Go live planned date was 1 January 2012.

The Project Team had the responsibility to ensure that the entire Company was carried along on a timely basis of expected changes through articles in Company magazines, SAP information sessions, integration meetings and trainings. These interactions enabled feedback to be communicated to the Project team and proved to be highly beneficial to the project.

The peak of the project was the 3rd of January 2012 when the Project Blue team loudly proclaimed to the Company "We are now live!" This simple statement encapsulates months of teamwork, effort, and sheer sacrifice by all staff of FrieslandCampina WAMCO Nigeria PLC to get the SAP ERP system up and running by the ambitious date of January 1, 2012.

There were issues and bottlenecks after going live but with the contribution of the project team and all staff these issues were resolved promptly. Project Blue was officially closed at the end of February and this marks yet another milestone, showcasing the tenacity and dexterity of WAMCO and its Staff.....we definitely embrace challenge!!



“The SAP ERP application is expected to continuously support business processes and improve operational efficiency.”



Embrace the goodness of milk!

FrieslandCampina WAMCO continued to connect positively with various communities through Programmes and projects that align with the company's strategy and the expectations of stakeholders.

In 2011, WAMCO took the lead in spreading the goodness of milk amongst Nigerians by celebrating World Milk Day with the theme 'More Milk, More Peak', endorsing its employees as Milk Ambassadors on the belief that charity begins from home and giving out cartons of milk to make as many Nigerians as possible enthusiastic about drinking milk.

Other highlights of the event in FrieslandCampina WAMCO were: the hoisting of 'world milk day flag', special breakfast session, where staff were treated to both local and continental breakfast served with milk, and a toast to milk! Visitors to the company were handed out glasses of milk cocktail at the reception area.

Each year, around June 1, milk and all the goodness of milk, as well as its role as an important source of nutrition throughout the world take centre stage in a large number of countries. This initiative was established in 2001 by FAO (Food and Agriculture Organisation of the United Nations) to provide an opportunity for dairy companies to spotlight and focus attention on milk.

Further as part of our CSR projects four water projects were constructed at Iseyin, Kachia, Akele and Bale in Fashola to promote hygiene at the DDP (Dairy Development Program) communities.



Each of the eighteen secondary school under the School Adoption Project received fifty sets of double-seater combine desk and chair built to UBE standards.

Visits were made to the tertiary institutions under the Endowment Fund project to sensitize them further on DDP and present the annual endowment fund to them.

Cartons of milk and cash donations were given out to Charity homes as our way of giving succor to the less privileged.

CSR remains a strategic element of our operations. It provides the Company with a genuine opportunity to engage the community.



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Notes