



FrieslandCampina Wamco Nigeria PLC

Unaudited Interim Financial Statements-30 June 2019

Contents

	Page
Condensed Statement of Financial Position	1
Condensed Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Statement of Changes in Equity	3
Condensed Statement of Cash Flows	4
Notes to the Condensed Financial Statements	5

Statement of Financial Position
As at 30 June 2019

	Note	30 June 2019 N'000	31 December 2018 N'000
Assets			
Non-current assets			
Property plant and equipment	7	30,965,090	27,505,451
Prepayments		58,615	34,141
Other non-current assets			
		31,023,705	27,539,592
Current assets			
Inventories	8	23,547,796	23,727,302
Trade and other receivables	9	23,740,205	18,920,877
Prepayments	11	13,391,604	7,351,244
Derivative assets		409,684	273,449
Cash and cash equivalents	10	17,134,130	13,658,352
		78,223,419	63,931,224
Total assets		109,247,124	91,470,816
Equity			
Issued capital		488,168	488,168
Share premium		350,211	350,211
Retained earnings		18,650,676	19,872,085
Other reserves			
		19,489,055	20,710,464
Liabilities			
Non-current liabilities			
Pensions defined benefits schemes	13	686,227	610,467
Deferred tax liabilities		5,433,525	4,158,144
		6,119,752	4,768,611
Current liabilities			
Trade and other payables	12	78,639,342	55,548,338
Income tax		3,804,876	4,210,453
Bank overdraft and borrowings			13
Loans and other borrowings	14	1,194,098	6,232,932
		83,638,316	65,991,736
Total equity and liabilities		109,247,124	91,470,811

Approved by the Board of Directors on 30 June 2019 and signed on its behalf by:



Chairman - Jacobs Moyo Ajekigbe, OFR
FRC/2013/ODN/0000000002472



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

Additionally certified by:



Financial Director - Dirk van Breen
FRC/2018/ANAN/00000018059

The notes on pages 7 to 11 are integral parts of this financial statement

Income Statement
For six months ended 30 June 2019

	30 June 2019 ₦'000	30 June 2018 ₦'000
Revenue	80,783,538	77,250,559
Cost of Sales	(64,745,470)	(62,571,633)
GROSS PROFIT	16,038,068	14,678,926
Selling and Distribution Expenses	(3,303,165)	(3,629,280)
Marketing and Administrative Expenses	(4,363,962)	(4,420,165)
Other operating charges	-	-
Other Income	-	16,606
Operating Profit	8,370,941	6,646,088
Finance Income	81,847	-
Finance Expenses	(1,030,928)	(1,388,357)
Profit Before Taxation	7,421,860	5,257,731
Taxation	(2,433,774)	(1,672,765)
Profit from Continuing Operations	4,988,086	3,584,966
Discontinued Operations		
Profit from discontinued operations	-	-
Profit for the Year	4,988,086	3,584,966
Attributable to: shareholders		
Equity Holders	4,988,086	3,584,966
Earnings per share for profit attributable to equity holders:		
Basic Earnings per share (Naira)	5.11	3.67
Basic Earnings per share (Naira)-continuing Operations	5.11	3.67

The notes on pages 7 to 11 are integral parts of this financial statement

**Statement of Changes in equity
 For 3 months ended 30 June 2019**

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2018	488,168.00	350,211.00	17,780,145.00	18,618,524.00
Profit for the period	-	-	11,753,002.00	11,753,002.00
Other Comprehensive income				
Defined benefit plan actuarial gain, net of tax	-	-	33,955.00	33,955.00
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>11,786,957.00</u>	<u>11,786,957.00</u>
Transactions with owners, recorded directly in equity				
Dividends	-	-	(9,695,017.00)	(9,695,017.00)
Balance as at 31 December 2018	<u>488,168.00</u>	<u>350,211.00</u>	<u>19,872,085.00</u>	<u>20,710,464.00</u>
Balance at 1 January 2019	488,168.00	350,211.00	19,872,086.76	20,710,465.76
Profit for the period	-	-	4,988,086.25	4,988,086.25
Other Comprehensive income				
Defined benefit plan actuarial gain, net of tax	-	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>4,988,086.25</u>	<u>4,988,086.25</u>
Transactions with owners, recorded directly in equity				
Dividends	-	-	(6,209,496.55)	(6,209,496.55)
Balance as at 30 June 2019	<u>488,168.00</u>	<u>350,211.00</u>	<u>18,650,676.46</u>	<u>19,489,055.46</u>

The notes on pages 7 to 11 are integral parts of this financial statement

Statement of Cash Flows
For six months ended 30 June 2019

Note	6 Months to 30 June 2019	6 Months to 30 June 2018
	N'000	N'000
Cash flows from operating activities		
Profit before tax	7,421,862	5,257,736
Adjustments for:		
Depreciation	1,239,799	1,096,209
Impairment loss of property, plant & machinery	7,117	-
Long service award expense		
Gratuity benefits expense/ (credit)	75,760	86,646
Unrealised fair value change in derivatives	(136,235)	110,954
Gain/loss on Foreign Exchange	(776,348)	(565,895)
Other post employment benefit expense		
Interest Income	(73,231)	(16,606)
Net finance costs	944,916	1,388,357
Loss on disposal of property, plant and equipment	15,766	16,070
Proceeds from the sale of fixed assets not yet received	-	-
	8,719,406	7,373,472
Change in working capital:		
Inventories	179,506	11,411,823
Trade and other receivables	(4,821,777)	(7,816,138)
Prepayments	(6,064,834)	12,066,598
Trade and other payables	15,314,917	(6,636,585)
Cash generated from operating activities	13,327,218	16,399,171
Income tax paid	(1,563,969)	(663,267)
Gratuity benefits paid	-	
Net cash flow from operating activities	11,763,248	15,735,904
Cash flow from investing activities		
Finance income	73,231	16,606
Acquisition of property, plant and equipment	(4,722,321)	(1,912,977)
Net cash used in investing activities	(4,649,090)	(1,896,370)
Cash flow from financing activities		
Interest paid	(944,916)	(1,388,357)
Dividends paid	(1,998,681)	(2,206,091)
Unclaimed dividend returned		-
Movement in loans and borrowings	479,919	(6,021,116)
Movement in intercompany borrowings	-	-
Movement in overdraft	(13)	635,618
Proceeds from loans and borrowings	-	-
Net cash used in financing activities	(2,463,691)	(8,979,947)
Net decrease in cash and cash equivalents	4,650,466	4,859,587
Exchange Diff on Cash	(1,174,685)	(19,873)
Cash and cash equivalent at 1 January	13,658,352	10,615,543
Cash and cash equivalent at 30 June	17,134,132	15,455,256

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

The notes on pages 7 to 11 are integral parts of this financial statements.

Notes to the Financial Statements
For three months ended 30 June 2019

Contents
Note

Page

1 Reporting Entity	7
2 Basis of Preparation	7
3 Significant Accounting policies	7
4 Use of judgements and estimates	7
5 Financial risk management and financial instruments	8
6 Revenue from contract with customers	8
7 Property, plant and equipment	9
8 Inventories	10
9 Trade and other receivables	10
10 Cash and cash equivalents	10
11 Prepayments and accrued Income	10
12 Trade and other payables	10
13 Pensions defined benefits schemes	10
14 Bank overdraft and borrowings	10
15 Dividend payable	10

Notes to the financial statements

1 Reporting Entity

FrieslandCampina WAMCO Nigeria Plc ("the Company") is a company domiciled in Nigeria. The address of the Company's registered office is Plot 7b Acme road, Ikeja Industrial Estate, Ogba, Lagos. The Company was incorporated in Nigeria as a private limited liability company on 17 April 1973, commenced operations on 13 September 1975 and became a public limited liability company in 1978. The company is principally engaged in the manufacturing and marketing of evaporated milk, instant milk powder, ready to drink beverages and other dairy based products

2 Basis of Preparation

(a) Statement of compliance

These interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statement for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

(b) Functional and presentation currency

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

3 Significant accounting policies

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

3.1 New and amended standards adopted by the Company

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

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

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

IFRS 9 Financial instruments – Impact of adoption

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

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

4 Use of judgements and estimates

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

Notes to the financial statements

5 Financial risk management and financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from customers, cash and cash equivalents and derivative assets.

i. Exposure to credit risk

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

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

Financial assets at amortised cost

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

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

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

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

(b) Liquidity risk

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

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

Revenue from contract with customers

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

	2019	2018
	#'000	#'000
Local	80,600,957.98	76,981,130
Export	182,580.27	269,429
	<u>80,783,538</u>	<u>77,250,559</u>

7 Property, plant and equipment

The movement for the year is as follows:

Notes	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Tools	Assets under construction	Total
<i>In thousands of naira</i>							
Cost							
Balance at 1 January 2018	1,607,967	7,529,503	14,714,639	2,389,459	1,321,101	5,332,200	32,894,868
Additions	-	-	-	-	-	6,335,599	6,335,599
Transfers	-	519,950	3,828,823	1,134,859	244,071	(5,727,703)	-
Impairment loss/writeback/provision	-	-	86,000	-	-	-	86,000
Disposals	-	-	(22,723)	(214,898)	(647)	-	(238,268)
Adjustments**	-	-	-	-	-	-	-
Balance at 31 December 2018	<u>1,607,967</u>	<u>8,049,453</u>	<u>18,606,739</u>	<u>3,309,420</u>	<u>1,564,525</u>	<u>5,940,096</u>	<u>39,078,199</u>
Balance at 1 January 2019	1,607,967	8,049,453	18,606,739	3,309,420	1,564,525	5,940,096	39,078,199
Additions	-	189,494	2,667,924	1,579,382	9,082	4,722,321	9,168,204
Transfers	-	-	-	-	-	(4,445,883)	(4,445,883)
Impairment writeback	-	-	(7,117)	-	-	-	(7,117)
Disposals*	-	-	-	(95,795)	-	-	(95,795)
Balance at 30 June 2019	<u>1,607,967</u>	<u>8,238,947</u>	<u>21,267,546</u>	<u>4,793,008</u>	<u>1,573,607</u>	<u>6,216,534</u>	<u>43,697,608</u>
Depreciation							
Balance at 1 January 2018	396,715	1,708,336	5,267,115	1,417,000	701,383	-	9,490,549
Depreciation for the year	65,031	371,501	1,040,125	574,062	202,443	-	2,253,162
Disposals	-	-	(5,965)	(164,635)	(357)	-	(170,957)
Adjustments**	-	-	-	-	-	-	-
Balance at 31 December 2018	<u>461,746</u>	<u>2,079,837</u>	<u>6,301,275</u>	<u>1,826,427</u>	<u>903,469</u>	<u>-</u>	<u>11,572,753</u>
Balance at 1 January 2019	461,746	2,079,837	6,301,275	1,826,427	903,468	-	11,572,753
Depreciation for the year	33,447	201,981	554,991	429,066	20,313	-	1,239,799
Disposals*	-	-	-	(80,031)	-	-	(80,031)
Balance at 30 June 2019	<u>495,193</u>	<u>2,281,818</u>	<u>6,856,266</u>	<u>2,175,461</u>	<u>923,781</u>	<u>-</u>	<u>12,732,521</u>
Carrying amounts							
At 31 December 2018	<u>1,146,221</u>	<u>5,969,616</u>	<u>12,305,464</u>	<u>1,482,993</u>	<u>661,056</u>	<u>5,940,096</u>	<u>27,505,446</u>
At 30 June 2019	<u>1,112,774</u>	<u>5,957,130</u>	<u>14,411,280</u>	<u>2,617,546</u>	<u>649,826</u>	<u>6,216,534</u>	<u>30,965,090</u>

Notes to the financial statements

8 Inventories

	2019	2018
	N'000	N'000
Raw materials& Packaging	13,241,076	6,234,742
Spare	2,327,590	2,382,516
Finished products	7,423,497	2,475,553
Other inventories	555,634	12,634,491
	<u>23,547,796</u>	<u>23,727,302</u>

9 Trade and other receivables

	2019	2018
	N'000	N'000
Trade debtors	10,950,866	11,341,173
Trade debtors group companies	136,963	288,397
Other Receivables	11,917,599	2,236,451
Insurance claim receivable	734,777	5,054,856
	<u>23,740,205</u>	<u>18,920,877</u>

	2019	2018
	N'000	N'000
10 Cash and cash equivalents		
Cash and bank balances	13,909,766	6,908,978
Short term deposits	3,224,364	6,749,374
Cash and cash equivalents	<u>17,134,130</u>	<u>13,658,352</u>

11 Prepayments and accrued Income

	2019	2018
	N'000	N'000
Prepaid Expenses	797,851	188,292
Deposit for imports	12,652,368	6,371,430
Insurance Claims Receivable	-	825,663
	<u>13,450,219</u>	<u>7,385,385</u>

12 Trade and other payables

	2019	2018
	N'000	N'000
Trade Payables	10,522,078	6,276,314
Other Payables	8,943,460	5,209,165
Amount Due to related party	43,777,083	32,876,955
Dividend payable	15,396,721	11,185,904
	<u>78,639,342</u>	<u>55,548,338</u>

13 Pensions defined benefits schemes

	2019	2018
	N'000	N'000
Staff Long Term Service Award	686,227	477,010
Terminal Milk Benefits	-	133,547
	<u>686,227</u>	<u>610,557</u>

14 Loan and Other borrowings

	2019	2018
	N'000	N'000
Other borrowings (GMT)	-	-
Credit institutions	1,194,098	1,905,200
	<u>1,194,098</u>	<u>1,905,200</u>

15a Dividend Payables

	2019	2018
	N'000	N'000
Bal b/f	11,185,905	4,954,867
Dividend declared	6,209,497	9,695,017
Dividend paid	(1,998,681)	(3,463,979)
	<u>15,396,721</u>	<u>11,185,905</u>

15b June 2018 dividend payable

	2018	2017
	N'000	N'000
Bal b/f	4,954,867	9,351,076
Dividend declared	6,853,879	9,665,726
Dividend paid	(2,206,091)	(14,061,935)
	<u>9,602,655</u>	<u>4,954,867</u>