



FrieslandCampina Wamco Nigeria PLC

**Unaudited Interim Financial Statements
For nine months ended 30 September 2020**

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Statement of Financial Position
As at 30 September 2020

	Note	30 September 2020 #’000	31 December 2019 #’000
Assets			
Non-current assets			
Property plant and equipment	7	36,870,492	34,562,400
Intangible assets	8	573,841	616,522
Prepayments	12b	27,355	54,955
		<u>37,471,688</u>	<u>35,233,877</u>
Current assets			
Inventories	9	30,566,574	24,908,950
Trade and other receivables	10	27,752,460	14,797,025
Prepayments	12b	17,696,071	22,360,795
Derivative assets		1,746,170	1,404,116
Cash and cash equivalents	11	64,206,905	7,857,211
		<u>141,968,180</u>	<u>71,328,097</u>
Total assets		179,439,868	106,561,974
Equity			
Issued capital		488,168	488,168
Share premium		350,211	350,211
Retained earnings		23,713,290	23,396,602
		<u>24,551,669</u>	<u>24,234,981</u>
Liabilities			
Non-current liabilities			
Employee benefits	15	1,041,489	882,649
Deferred tax liabilities		5,936,006	5,968,954
Non-current borrowing	14	7,391,127	-
		<u>14,368,622</u>	<u>6,851,603</u>
Current liabilities			
Trade and other payables	13	78,783,258	68,532,097
Current tax liabilities		5,968,608	4,856,350
Loans and other borrowings	16	55,767,711	2,086,943
		<u>140,519,577</u>	<u>75,475,390</u>
Total equity and liabilities		179,439,868	106,561,974

Income Statement

For nine months ended 30 September 2020

	30 September 2020 N'000	30 September 2019 N'000
Revenue	150,633,068	121,801,091
Cost of Sales	(119,538,982)	(93,212,177)
GROSS PROFIT	31,094,086	28,588,914
Selling and Distribution Expenses	(12,480,897)	(12,055,154)
Administrative Expenses	(4,831,192)	(3,629,673)
Operating Profit	13,781,997	12,904,087
Finance Income	585,972	130,668
Finance Expenses	(2,876,501)	(1,713,760)
Profit Before Taxation	11,491,468	11,320,995
Taxation	(4,839,140)	(3,840,176)
Profit from Continuing Operations	6,652,328	7,480,819
Discontinued Operations		
Profit from discontinued operations	-	-
Profit for the Year	6,652,328	7,480,819
Attributable to: shareholders		
Equity Holders	6,652,328	7,480,819
Earnings per share for profit attributable to equity holders:		
Basic Earnings per share (Naira)	6.81	7.66
Basic Earnings per share (Naira)-continuing Operations	6.81	7.66

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

Statement of Changes in equity

For nine months ended 30 September 2020

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2019	488,168	350,211	19,872,085	20,710,464
Profit for the period	-	-	12,364,010	12,364,010
Other Comprehensive income				
Defined benefit plan actuarial gain, net of tax	-	-	(13,418)	(13,418)
Total comprehensive income for the period	-	-	12,350,592	12,350,592
Transactions with owners, recorded directly in equity				
Dividends	-	-	(8,826,075)	(8,826,075)
Balance as at 31 December 2019	<u>488,168</u>	<u>350,211</u>	<u>23,396,602</u>	<u>24,234,981</u>
Balance at 1 January 2020	488,168	350,211	23,396,602	24,234,981
Profit for the period	-	-	6,652,328	6,652,328
Other Comprehensive income				
Gain/(losses) on cashflow hedges	-	-	313,208	313,208
Total comprehensive income for the period	-	-	6,965,536	6,965,536
Transactions with owners, recorded directly in equity				
Dividends	-	-	(6,648,848)	(6,648,848)
Balance as at 30 September 2020	<u>488,168</u>	<u>350,211</u>	<u>23,713,290</u>	<u>24,551,669</u>

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

Statement of Cash Flows

For nine months ended 30 September 2020

Note	9 Months to	9 Months to
	30 September 2020	30 September 2019
	₦'000	₦'000
Cash flows from operating activities		
Profit before tax	11,491,468	11,320,995
Adjustments for:		
Depreciation	2,207,834	1,881,701
Amortisation of intangible assets	97,050	-
Impairment loss of property, plant & machinery	-	7,120
Long service award expense	126,616	138,749
Other post employment benefit expense	32,224	
Unrealised fair value change in derivatives	(342,055)	28,113
Gain/(loss) on Foreign Exchange	2,522,529	(2,080,492)
Interest Income	(224,591)	(122,052)
Net finance costs	1,722,352	1,627,748
Loss on disposal of property, plant and equipment	54,657	17,819
	17,688,084	12,819,701
Change in working capital:		
Inventories	(5,657,623)	(527,425)
Trade and other receivables	(12,928,896)	(2,800,779)
Prepayments	4,692,324	(4,024,714)
Trade and other payables	19,575,861	4,256,918
Cash generated from operating activities	23,369,750	9,723,701
Income tax paid	(3,759,829)	(3,901,138)
Net cash flow from operating activities	19,609,921	5,822,563
Cash flow from investing activities		
Finance income	224,591	122,053
Acquisition of intangible assets	(54,369)	-
Acquisition of property, plant and equipment	(4,570,584)	(6,279,333)
Net cash used in investing activities	(4,400,362)	(6,157,280)
Cash flow from financing activities		
Interest paid	(1,722,352)	(1,627,752)
Dividends paid	(18,266,495)	(1,998,681)
Unclaimed dividend returned	37,865	
Movement in loans and borrowings	(2,087,371)	13,640,324
Movement in intercompany borrowings	55,767,711	-
Movement in overdraft	-	(13)
Non current loans and borrowings	7,391,127	
Net cash used in financing activities	41,120,485	10,013,878
Net increase in cash and cash equivalents	56,330,044	9,679,159
Exchange Diff on Cash	19,650	287,146
Cash and cash equivalent at 1 January	7,857,211	13,658,352
Cash and cash equivalent at 30 September	64,206,905	23,624,657

*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 nine months ended 30 September 2020

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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 nine months ended 30 September 2020 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 2019, 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.

a Foreign currency transactions

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

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

b Financial instruments

The company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

c Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs includes expenditure that is directly attributable to the acquisition of the assets. Items of property, plant and equipment under construction are disclosed as assets under construction.

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

d Related parties

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

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 Management 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.

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.

(c) Market risk

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

6 Revenue from contract with customers

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

	2020	2019
	#'000	#'000
Local	150,365,090.85	121,532,326.15
Export	<u>267,976.76</u>	<u>268,765.15</u>
	<u>150,633,068</u>	<u>121,801,091</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	Right of Use	Total
<i>In thousands of naira</i>									
Cost									
Balance at 1 January 2019		1,607,967	8,049,453	18,606,739	3,309,420	1,564,525	5,940,096	-	39,078,200
Additions		-	-	-	-	-	9,649,817	-	9,649,817
Transfers		-	601,702	3,820,214	963,451	996,574	(6,381,941)	-	-
Disposals		-	-	-	(271,012)	(9,282)	-	-	(280,294)
Balance at 31 December 2019		1,607,967	8,651,155	22,426,953	4,001,859	2,551,817	9,207,972	-	48,447,723
Balance at 1 January 2020		1,607,967	8,651,155	22,426,953	4,001,859	2,551,817	9,207,972	-	48,447,723
Additions		-	-	-	-	-	4,326,018	244,566	4,570,584
Transfers		-	601,230	6,195,776	724,613	141,331	(7,662,950)	-	-
Disposals		-	-	(57,265)	(331,255)	-	-	-	(388,520)
Balance at 30 September 2020		1,607,967	9,252,385	28,565,464	4,395,217	2,693,148	5,871,040	244,566	52,629,787
Depreciation									
Balance at 1 January 2019		461,746	2,079,837	6,301,275	1,826,427	903,469	-	-	11,572,754
Depreciation for the year		66,894	407,386	1,168,623	701,462	223,563	-	-	2,567,928
Disposals		-	-	-	(261,674)	(802)	-	-	(262,476)
Impairment		-	-	7,117	-	-	-	-	7,117
Balance at 31 December 2019		528,640	2,487,223	7,477,015	2,266,215	1,126,230	-	-	13,885,323
Balance at 1 January 2020		528,640	2,487,223	7,477,015	2,266,215	1,126,230	-	-	13,885,323
Depreciation for the year		49,135	324,261	1,063,044	550,538	216,399	-	4,457	2,207,834
Disposals		-	-	(16,652)	(317,212)	-	-	-	(333,864)
Balance at 30 September 2020		577,775	2,811,484	8,523,407	2,499,542	1,342,628	-	4,457	15,759,293
Carrying amounts									
At 31 December 2019		1,079,327	6,163,931	14,949,938	1,735,644	1,425,587	9,207,972	-	34,562,399
At 30 September 2020		1,030,192	6,440,900	20,042,056	1,895,675	1,350,520	5,871,040	240,109	36,870,492

Notes to the financial statements

8 Intangible assets	2020	2019
<i>In thousands of naira</i>	N'000	N'000
Cost		
Balance at 1 January	697,949	-
Additions	54,369	697,949
Balance at 30 September	<u>752,318</u>	<u>697,949</u>
Amortisation and impairment losses		
Balance at 1 January	81,427	-
Amortisation YTD June	97,050	81,427
Balance at 30 June	<u>178,477</u>	<u>81,427</u>
At 30 September	<u>573,841</u>	<u>616,522</u>
Carrying amounts		
At 1 January	616,522	-
At 30 September	<u>573,841</u>	<u>616,522</u>
9 Inventories	2020	2019
	₦'000	₦'000
Raw materials& Packaging	8,305,188	5,751,631
Finished products	4,597,767	4,943,368
Goods in transit	14,590,844	11,329,235
Spare parts and tools	3,072,775	2,884,717
	<u>30,566,574</u>	<u>24,908,951</u>
10 Trade and other receivables	2020	2019
	₦'000	₦'000
Trade debtors	8,136,714	11,743,220
Trade debtors group companies	373,999	287,076
Other Receivables	18,948,840	2,124,799
Insurance claim receivable	292,907	641,930
	<u>27,752,460</u>	<u>14,797,025</u>
11 Cash and cash equivalents	2020	2019
	₦'000	₦'000
Cash and bank balances	53,934,991	7,394,490
Short term deposits*	10,271,914	462,721
Cash and cash equivalents	<u>64,206,905</u>	<u>7,857,211</u>
*Short term deposits includes 490mn which is unclaimed dividend investment in fixed deposit		
12a Prepayments and accrued Income	2020	2019
	₦'000	₦'000
Prepaid Expenses	943,910	1,496,847
Deposit for imports	16,779,516	20,918,903
Insurance Claims Receivable	-	-
	<u>17,723,426</u>	<u>22,415,750</u>
12b Non current prepayments	27,355	54,956
Current prepayments	17,696,071	22,360,794
	<u>17,723,426</u>	<u>22,415,750</u>
13 Trade and other payables	2020	2019
	₦'000	₦'000
Trade Payables	6,386,207	8,549,798
Other Payables	6,305,358	8,017,472
Amount Due to related party	65,601,054	39,894,406
Dividend payable	490,639	12,070,421
	<u>78,783,258</u>	<u>68,532,097</u>
14 Non-Current borrowings	2020	2019
	₦'000	₦'000
Loan non-current	7,391,127	-

15 Employee benefits

	2020	2019
	₦'000	₦'000
Staff Long Term Service Award	822,926	696,310
Terminal Milk Benefits	218,563	186,338
	<u>1,041,489</u>	<u>882,648</u>

16 Loan and other borrowings

	2020	2019
	₦'000	₦'000
Other borrowings (GMT)	-	2,086,943
Intercompany loan	55,767,711	-
	<u>55,767,711</u>	<u>2,086,943</u>

	2020	2019
	₦'000	₦'000
Intercompany Loan		
Current	55,767,711	-
Non-current	5,091,127	-
	<u>60,858,838</u>	<u>-</u>

17 Dividend Payables*

	2020	2019
	₦'000	₦'000
Bal b/f	12,070,421	11,185,905
Dividend declared	6,648,848	8,826,075
Unclaimed dividend received	37,865	-
Dividend paid	(18,266,495)	(7,941,559)
	<u>490,639</u>	<u>12,070,421</u>

*Dividend payables represents unclaimed dividend

18 Other comprehensive income

	2018	2017
	₦'000	₦'000
Defined benefit plan actuarial gain/(loss)	-	(19,168)
Income tax on other Comprehensive Income	-	5,750
	<u>-</u>	<u>(13,418)</u>

19 Acquisition of Nutricima's dairy business

Frieslandcampina WAMCO has completed the purchase of Nutricima's dairy business in Nigeria. In March, Frieslandcampina and PZ Cussons signed an agreement regarding the acquisition. Nutricima's dairy business will be integrated into Frieslandcampina WAMCO Nigeria PLC.

Frieslandcampina WAMCO acquired Nutricima Limited's production facility in Ikorodu, Lagos State and the brands Olympic, Coast and Nunu, a range of powdered, evaporated, and ready to drink milk products. These brands have a good presence across the Nigerian dairy market.

The acquisition underlines Frieslandcampina WAMCO's continued commitment to contribute to the development of the Nigerian dairy sector. The acquisition satisfies the need for additional production capacity for Frieslandcampina WAMCO to meet the growing demand for locally produced evaporated and powdered milk by Nigerian consumers.