

FAN MILK PLC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

MISSION STATEMENT

"To enhance the wellbeing for as many people as possible by offering nourishing refreshing and enjoyable products and an inclusive business model"

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Corporate Information

Company registration number

RC. 2761

Directors

Mr. Olayinka. O. Akinkugbe

- Chairman

Mr. Kayode Adebiyi

Mr. Yeo Ziobeieton (Ivorian)

Dr. Babatunde Ajibade (SAN)

Mr. Olivier Klien (French)

- Managing Director

Company Secretary and Registered Office

Olakunle Olusanya Plot 1C, Eleye Indsutrial Layout, Eleyele, Ibadan. Tel: 02-2411021, 2412032 02-2413264, 2413265

Independent Auditor

Mazars

18, Oba Akran Avenue,

Ikeja, Lagos.

+2348180168888

Bankers

Access Bank Plc
Ecobank Nigeria Limited
First Bank of Nigeria Limited
Guaranty Trust Bank Limited
Polaris Bank Limited
Stanbic IBTC Bank Plc
United Bankfor Africa
Zenith Bank Plc

Mission Statement:

To be a leading manufacturer and marketer of healthy, nutritious and safe frozen and non-frozen dairy/food products at affordable prices to the benefit of all stakeholders

Board of Directors & Company Secretary



Mr Olayinka O. Akinkugbe Chairman



Kayode Adebiyi Managing Director



Mr Yeo Ziobeieton Non Executive Director & CEO Fan Milk West Africa



Dr Babatunde A. M. Ajibade (SAN)Independent Non-Executive Director



Mr Olivier KleinNon-Executive Director



Mr Olakunle Olusanya
Company Secretary
& Legal Adviser

Leadership Team



Kayode Adebiyi Managing Director



Godwin Alen Operations Director



Gbolahan Sanni Marketing Director



Femi AkintolaEarly Life Nutrition Business
Manager



Caesar Abam Security & Corporate Affairs Manager



Olakunle Olusanya Company Secretary & Legal Adviser



Demola Aramide-AtolagbeSales Director



Olukemi Akande Quality Manager



Olumide Adediji Human Resources Manager



Olamide Amoo Financial Controller

Summary of Performance

Revenue from contracts with customers

Profit before tax

Income tax expense

Profit for the year

Total comprehensive Income

Total equity

31 December 2022 N'ooo	31 December 2021 N'ooo
30,842,446	24,030,821
145,042	1,405,384
(66,827)	(534,824)
78,215	870,560
80,870	314,164
5,864,628	5,705,544



Life Comes in Different Flavours



Taste Life Slo

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 58th Annual General Meeting of the Members of Fan Milk Plc will be held at the Executive Lounge, Radisson Hotel Ikeja, 42/44 Isaac John Street, Ikeja GRA, Lagos State on 27th July 2023 at 12 noon or so soon thereafter to transact the following businesses:

AGENDA

Ordinary Business

- To lay the Report of the Directors, the Audited Financial Statements for the year ended 31st December 2022, together with the Reports of the Independent Auditors and the Audit Committee thereon.
- To elect/re-elect Directors.
- 3. To disclose the remuneration of Managers of the Company.
- 4. To authorize Directors to fix the remuneration of the Independent Auditors.
- 5. To elect members of the Audit Committee.

Special Business

- 6. To fix the remuneration of the Directors
- 7. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:
 - "That a general mandate be and is hereby given, authorizing the Company through the Directors to enter into recurrent transactions with related parties or companies until reviewed by the Company at an Annual General Meeting."
- 8. To consider and if thought fit, pass the following resolution as a special resolution of the Company:
 - "That the Directors of the Company are hereby authorized to take all necessary steps to amend the Memorandum and Articles of Association of the Company by including options to convene the Annual General Meeting of the Company virtually or by any other electronic means in line with the Business Facilitation (Miscellaneous Provision) Act 2023".
- 9. To consider and if thought fit, pass the following resolution as a special resolution of the Company:

Notice of Annual General Meeting (Cont'd)

"That the Directors of the Company are hereby authorized to take all necessary steps to amend the Memorandum and Articles of Association of the Company by including options to have a resolution which is put to vote at any general meeting decided through electronic voting in line with the Business Facilitation (Miscellaneous Provision) Act 2023.

- 10. To consider and, if thought fit, pass the following resolution as special resolutions of the Company:
 - "That the Directors be and are hereby authorized to take steps to comply with the requirements of the Companies and Allied Matters Act (CAMA) 2020 and S.124 of the Companies Regulations 2021 in respect of the unissued shares of the Company; by any means acceptable to the Corporate Affairs Commission, including but not limited to the cancellation of all unissued shares of the Company."
- 11. Pursuant to the cancellation of the unissued shares of the Company, the Memorandum of Association of the Company be and is hereby amended by deleting Clause 6 and substituting it with the following new clause:
 - "The Share Capital of the Company is N581,516,674.50k divided into 1,163,033,349 ordinary shares of 50kobo each."
- 12. To authorize the Directors and Management to enter into and execute any agreements, deeds, notices, and any other documents necessary for and/or incidental to effecting resolutions 7,8,9,10, and 11 above.
- 13. To authorize the Directors and Management of the Company to appoint such professional parties and advisers and to perform all such other acts and do all such other things as may be necessary for or incidental to effecting the above resolutions, including without limitation, complying with directives of any regulatory authority.



COMPANY SECRETARY & LEGAL ADVISER

FRC/2015/NBA/0000011539

Registered office -Plot 1c, Eleyele Industrial Layout, Ibadan, Oyo State

Dated 30th June 2023

Notice of Annual General Meeting (Cont'd)

NOTES

PROXY

Any member of the Company entitled to attend and vote at this meeting is also 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 must be completed and deposited at the office of the Company's Registrars, Greenwich Registrars, and Data Solutions Limited, 247, Murtala Mohammed Way, Yaba, Lagos, or sent by email to proxy@gtlregistrars.com no later than 48 hours to the meeting. A blank proxy Form is included in the 2022 Annual Report & Accounts, which will also be available on the Company's website: www.fanmilk.com and that of the Registrars www.gtlregistrars.com. The Company has made arrangements at its cost for stamp duty to be paid on the proxy forms.

CLOSUREOFREGISTER

The Register of Members and Transfer Book will be closed from 17th July 2023 to 21st July 2023, both days inclusive for the purpose of updating the Register of Members.

AUDIT COMMITTEE

In accordance with Section 404(6) of the Companies and Allied Matters Act, 2020, a nomination (in writing) by any member or a Shareholder for appointment to the Statutory Audit Committee should reach the Company Secretary at least 21 days before the date of the Annual General Meeting.

The Securities and Exchange Commission's Code of Corporate Governance for Public Companies and the Companies and Allied Matters Act 2020 stipulates that members of the Audit Committee should have basic financial literacy and should be able to read financial statements and at least one member shall be a member of professional accounting body in Nigeria established by an Act of the National Assembly. We, therefore, request that nominations be accompanied by a copy of the nominee's curriculum vitae.

ELECTRONIC VERSION OF THE ANNUAL REPORT AND ACCOUNTS

The electronic version of the 2022 Annual Report and Accounts is accessible on the Company's website and also circulated by email to all shareholders who have provided their email addresses in the shareholders' register. Shareholders who are interested in receiving an electronic copy of the 2022 Annual Report by email should send a request to info@gtlregistrars.com

Notice of Annual General Meeting (Cont'd)

LIVE STREAMING OF THE ANNUAL GENERAL MEETING

The Annual General Meeting will be streamed live and a link will be provided on the Company's website subsequently for this purpose. This will enable shareholders and other relevant stakeholders who will not physically attend the meeting to also be a part of the proceeding.

RIGHTS OF SECURITIES HOLDERS

Shareholders have a right to ask questions not only at the meeting, but also in writing prior to the meeting, and such written questions should be submitted to the Company Secretary/Legal Adviser, on or before 21st July 2023

RE-ELECTION OF DIRECTOR

Mr. Yeo Ziobeieton is retiring by rotation at this meeting in line with Section 285 of CAMA 2020. The retiring Director, being eligible, is offering himself for re-election as Director at the AGM. The profile of the Director is contained on the website www.fanmilk.com

Chairman's Statement

Distinguished Shareholders, my colleagues on the Board, representatives of regulatory agencies, ladies, and gentlemen. It is with great pleasure that I welcome you, on behalf of the Board of Directors to the 58th Annual General Meeting of Fan Milk Plc and present to you, the Report and Financial Statements for the year ended 31st December 2022.

I will commence my address with a review of the operating environment during the year under review,



and its impact on the Company's performance. I will also highlight our major activities and challenges and conclude by projecting our expectations for the year 2023.

ECONOMIC AND BUSINESS ENVIRONMENT IN 2022

The business resiliently contended with all uncertainties in the operating environment which threatened the Company's performance.

The National Bureau of Statistics (NBS) reported that the country's Gross Domestic Product growth fell to 3.1% in 2022 from 3.4% in 2021. Specifically, GDP grew by 3.11% in Q1 2022, 3.54% in Q2 2022, 2.25% in Q3 2022, and 3.52% in Q4 2022. The slow pace of growth is attributable to the base effects of the recession and the challenging economic conditions that have impeded productive activities.

In 2022, the Consumer Price Index (CPI), which measures inflation, showed an upward trend. This was caused by disruptions in the supply of food products, increased import costs due to persistent currency depreciation, ongoing conflicts in Eastern Europe, and a general increase in production costs due to high energy prices. According to the National Bureau of Statistics (NBS), the headline index steadily rose to 21.47% in November 2022 before easing to 21.34% in December 2022. The index averaged 18.85% in 2022 compared to 16.95% recorded in 2021. Although headline inflation showed signs of moderation in December 2022, it remained significantly above the growth-aiding threshold of 6-9% set by the Central Bank of Nigeria (CBN) and reached multi-decade highs in many other countries. The effect of this inflation rate is reduced consumer purchasing power with tremendous consequences for sales.

The unemployment rate was 33% and a total of 88.4 million people (compared with 86.7 million people in 2021) were extremely poor, going by the World Bank's benchmark income of \$1,90 a

day.

Locally, the Monetary Policy Committee (MPC) of the CBN raised the benchmark interest rate, Monetary Policy Rate (MPR), four consecutive times to 16.5%. The committee also increased the Cash Reserve Requirement (CRR)

by 500 basis points to 32.5%. These hikes were aimed at reducing the negative real interest rate gap and inflationary pressure. However, other monetary policy parameters were held constant, with the asymmetric corridor around the MPR retained at +100/-700 basis points and the Liquidity Ratio (LR) maintained at 30%.

The foreign exchange market continued to experience pressure in 2022. This was largely due to the high demand for dollars, a rising global inflation rate, and a decline in forex inflow from foreign capital flows, remittances, and oil exports. As of December 2022, the exchange rate stood at NGN461.1/\$1 at the Investors' and Exporters' (I&E) Window, while banks continued to sell foreign currencies to retail customers following the ban of Bureau De Change (BDC) Operators by the Central Bank of Nigeria (CBN). To manage demand pressure and maintain exchange rate stability, the CBN continued to implement its managed-floating exchange rate regime with regular interventions in the foreign exchange market. Consequently, Nigeria's foreign exchange reserves significantly depleted in 2022, according to data from the Central Bank of Nigeria (CBN). The country's foreign reserves closed at \$37.08 billion, having declined by \$3.44 billion from \$40.52 billion at the beginning of the year.

FANMILK'S PERFORMANCE

Distinguished shareholders, the challenging economic situation put a huge amount of pressure on the business performance, but the Board and Management responded with new strategies on how best to reposition the Company for success.

Our results in the year under review showed that the Company's turnover improved by 28% from N24bn in 2021 to N30.8bn in 2022. The profit before tax declined by 90% from N1.4bn in 2021 to N0.15bn in 2022.

The decline experienced in profit before tax was mainly due to exceptional provisions taken for the obsolete Early Life Nutrition (ELN) baby food in the year. The negative impact of foreign exchange availability constraints, high costs of raw materials, inflation, and the increased interest rate risk were well managed through various cost savings and productivity initiatives implemented.

The importation of the most essential raw material for this category, milk, was greatly impaired by the identified supply chain disruptions and worsened by the ban on the importation of milk and dairy products by the Central Bank of Nigeria. Further to an extensive negotiation with the Central Bank of Nigeria, the Company received no approval to import milk during the year. We had to import through the six (6) companies that the CBN allowed to import milk and other dairy derivatives at a premium of about 15% – 20% markup as third-party fees To ensure business continuity and access to milk for our production we had no alternative, while also exploring purchasing milk locally.

ESSENTIAL DAIRY PRODUCTS AND JUICES

The Essential dairy products (yogurts, flavored milk, and ice cream) and juices portfolio of the business grow by 7.4% and amounted to 25% of the revenue generated in the business.

The importation of the most essential raw material for this category, milk, was greatly impaired by the identified supply chain disruptions and worsened by the ban on the importation of milk and dairy products by the Central Bank of Nigeria. Further to an extensive negotiation with the Central Bank of Nigeria, the Company received approval to import a total of 3,000 (three thousand) tons of milk. This allocation was however quickly utilized, and the Company was able to strategically align with agents with the approval of the government to import milk at the best price.

The Research and innovation team was also engaged in the reformulation of the recipe and optimization of the ingredients for the respective products in this category. This was a winning strategy for this category as well as better pricing, the introduction of new product variants, an increase of total sales assets, hotspot activation, and sales promotion.

The Company is still committed to the introduction of its ambient drinkable yogurt which will be launched in the nearest future. This product line shall address the seasonality concerns of the current EDP portfolio and shall be instrumental to the growth of business revenue in the coming years.

EARLY LIFE NUTRITION

In 2022, the Early Life Nutrition business grew by 81%. By the end of the second quarter of 2022, the business took a decision to temporarily suspend the importation of the Cow and Gates brand of ELN products because the actual sales were not at par with the projected sales.

Furthermore, by the last quarter of 2022, the Leadership of Africa, Middle East, and Asia (AMEA) region decided to cede the ELN business to Danone Nutricia Africa and Overseas (DNAO), Limonest, France in view of the complex nature of economic realities surrounding the business.

The Management of the Company decided to take an exceptional provision by writing off N984m worth of obsolete and expiring ELN stock. This decision was taken in the best interest of the consumer and for the financial health of the Company.

BACKWARD INTEGRATION PROJECTS

In July 2022, the Company commissioned its Model Dairy Farm in Odeda, Ogun State. This Model Dairy farm is one of the pillars of the Backward Integration Plan of the Company; the other 2 pillars are the creation of the Training Institute and the establishment of a milk collection center.

Having successfully commissioned the model dairy farm, the Company has commenced the plan to expand the capacity of the farm by engaging and negotiating with gold partners. Most of the plans in this regard are still underway but the Management shall no doubt come back to you all in due course with the status and success story of the partnerships.

Furthermore, in fulfillment of its social mandate, the Company has decided to create a training institute for local farmers that will develop their skills, enable them to be self-sufficient, and generate income. The goal of the Company is to train 500 (five hundred) local farmers through the training institute by 2027. In November 2022, the first set of 85 (eight-five) trainees graduated from the training institute, and the company is about to commence the second batch of training.

With respect to the establishment milk collection center, this is a very capital-intensive project for which the company is currently seeking funding and possibly partnerships with reputable international organizations. Just like the gold partnership, this project is also underway and the Management shall report on the status of the project in future meetings.

DIVIDEND

In view of the volatile circumstances and the challenges on the horizon of the Company, the Board has decided that it would not be prudent to recommend dividend payments for the year under review. The Company is however strongly committed to driving returns on investment to shareholders in the year ahead.

PEOPLE

The past year though challenging especially with the mass exodus of the active workforce in Nigeria to other parts of the world, we have seen the resilience and consistency with which our employees rose to the occasion by delivering on goals set for the financial year.

We continue to remain an organization that boosts excellent talents, nurtures abilities, and rewards hard work.

THE BOARD

During the year, Mr. Ferdinand Mouko resigned his employment as the Managing Director of the Company after 3 (three) years of active and relentless service to the Company. We appreciate his contribution during his tenure and wish him well in his future endeavors.

We also welcomed Mr. Kayode Adebiyi to the Board as Managing Director with effect from 6th December 2022. This is the first time in many years a Nigerian national has led the company in this role, following a brief stint in Ghana with Danone and as a previous member of the management team in Nigeria. The Board and Management also wish Mr. Adebiyi success as he steers the wheel of the Company's affairs.

2023 OUTLOOK

From the cash crunch due to the Naira redesign, to the aftermath of the 2023 general elections, and to the removal of subsidy on Premium Motor Spirit (PMS), the country's economic environment has experienced a strain from the onset of the year 2023. There is generally an increase in price levels that will further erode real income and cause a significant decline in the net worth of individuals and households in the short term. Consumers are expected to limit their spending which has a likelihood of impacting revenue for the Company.

It is expected that the second half of the year 2023 would be transitional and gradual for the new administration under the guidance of President Bola Ahmed Tinubu with current policies shaping its actions and activities in the economies of the Country.

The Board and Management of the Company is however ready to tackle the possible challenges by taking appropriate measures to ensure success and sustainability. The Company's agility, evolving research and innovations, and unique route to market continue to be at the fore of our drivers for growth.

We shall continue to pursue our backward integration projects, local sourcing projects, the introduction of plant-based products, and portfolio diversification strategies with renewed vigor to ensure continued growth and long-term sustainability of the business.

APPRECIATION

My dear esteemed Shareholders, I want to thank you once again, on behalf of the Board, Management, and other employees, for your support, advice, and encouragement over the years.

The support of our parent company, Danone, cannot be overemphasized; this support is one of the major reasons that our Company continues to thrive and deliver value to all stakeholders.

We also thank all our other stakeholders, including our distributors/customers, transporters, suppliers, professional advisers, the Government at all levels, and our host communities across the Country. We look forward to a continuation of the mutually beneficial relationships.

I am grateful to our customers for their loyalty, to our staff, and Management for their dedication and commitment, and to our Board for continually guiding the Company along the path of sustained growth and prosperity. More of your support is required to overcome the challenges that 2023 and the years ahead would bring.

Thankyou.

Mr. Olayinka O. Akinkugbe

Chairman



Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the financial position of the company.

Incorporation and address

Fan Milk Plc was incorporated as a Limited Liability Company on 4 November 1961 and was converted on 5 October 1995 to a Public Limited Company. The Company has a factory located in Eleyele Industrial Layout, Ibadan and is engaged in the production and distribution of dairy, juice and food products. Fan Milk Plc is a subsidiary of Danish Dairy Services (A/S), Denmark (Fan Milk International) 99.37% of the share capital of the Company is owned by Danish Dairy Services A/S Denmark and 0.63% is owned by Nigerian individuals and corporate investors.

Principal activities and business review

The principal activities of the Company continue to be production and distribution of dairy, juice and food products.

Directors

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

Mr. Olayinka. O. Akinkugbe

- Chairman

Mr. Ferdinand Mouko (Cameroonian)

 Managing Director (Resignation approved by the Board on 6th December 2022)

Mr. Kayode Adebiyi

 Managing Director (Appointment approved on 6th December 2022)

Mr. Yeo Ziobeieton (Ivorian)

Non Executive Director & CEO Fan Milk West

Dr. Babatunde Ajibade (SAN)

- Non-Executive Director

Mr. Olivier Klien (French)

Non-Executive Director

Board changes

In accordance with the Articles of Association of the Company and the provisions of the Companies and Allied Matters Act, 2020, the Director to retire by rotation at the forthcoming AGM, is Mr. Yeo Ziobeieton who, being eligible, has offered himself for re-election at the meeting.

Africa

Directors' Interests

None of the directors have either direct or indirect shareholdings in the issued share capital of the Company as recorded in the Register of Members and/or notified the Company for the purpose

Report of the Directors (Cont'd)

of Section 301 of the Companies and Allied Matters Act, 2020.

Directors' interest in contracts

None of the directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act, 2020 of any declarable interest in contracts in which the Company was involved as at 31 December 2022 (2021).

Major shareholders

As at the date of this report no person or Company has more than 5% of the capital except:

	Shares of 50k each	%
Danish Dairy Services A/S (Fan Milk Intl)	1,155,650,318	99.37

Employment of disabled persons

It is the Company's policy to consider disabled persons for employment, bearing in mind the aptitude and abilities of the applicants. This policy will continue.

Health, safety and welfare of employees

The Company provides free medical services for the staff at the Companys clinic at the factory premises in Ibadan and in Lagos under the supervision of experienced staff nurses and part-time doctors. The Company also maintains canteens where the staff have free meals. Safety and occupational health regulations are strictly adhered to.

Environmental commitment

It is the Company's policy to protect the environment and the Company strives to adopt appropriate measures of international standards and operate in accordance with Nigerian law in order to minimize the environmental impact of its activities.

Corporate social responsibility

It is the Companys policy to conduct business in a socially responsible manner and embrace the principles and tenets of ISO 26000, thereby contributing as a corporate organization to socially beneficial projects across the country.

Report of the Directors (Cont'd)

Auditor

Mazars Ojike & Partners was appointed at the last annual general meeting in line with Section 401 of the Companies and Allied Matters Act, 2020.

By order of the board

Olakunle Olusanya

FRC/2015/NBA/00000011539 Company Secretary & Legal Adviser 30th June 2023

Report of the Audit Committee

To the shareholders of Fan Milk Plc

In with the provisions of Section 404 (7) of the Companies and Allied Matters Act, 2020, we have reviewed the audited financial statement of the Company for the year ended 31 December 2022 and report as follows.

- (a) The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.
- (b) Scope and planning of the external audit was adequate.
- (c) The Company maintained effective systems of accounting and internal controls during the year.
- (d) Having reviewed the external auditors' findings and recommendations on management we are satisfied with management thereon.

Dated 30th June 2023

Chief Adekunle Odesanya MNIM, MBA

Chairman, Audit Committee FRC/2014/NIM/000000007270



Members of the Audit Committee

1.	Chief Adekunle Odesanya MNIM,MBA	Chairman
2.	Mr. Peter Eyanaku	Member
3.	Mr. Olivier Klien	Member
4.	Dr. Babatunde A.M. Ajibade, SAN	Member
5.	Alhaji Mustapha Jinadu, FIoD	Member

mazars

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Independent auditor's report
To the members of Fan Milk Plc

Report on the audit of the financial statements

Our Opinion

In our opinion, Fan Milk Plc ("the Company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

What we have audited

Fan Milk Plc financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Statement of Value Added and Five-year Financial Summary (but does not include the financial statements and our auditor's report thereon).

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

Independent auditor's report

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

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies and Allied Matters Act, 2020 and Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the companys

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ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the companys financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the companys internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the companys ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including
 the disclosures, and whether the financial statements represent the underlying transactions
 and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act, 2020 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- I) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) The company has kept proper books of account, so far as appears from our examination of those books;
- iii) The companys statement of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Ngozi Orluike

FRC/2014/ICAN/00000005903 For: Mazars Ojike & Partners Lagos, Nigeria 30 June 2023



Statement of Corporate Responsibility

In compliance with the requirements of section 405(1) the Companies and Allied Matters Act 2020, we hereby certify that the Directors have reviewed the Audited Financial Statements for the year ended December 31, 2022 and to the best of their knowledge:

- i) the audited Financial Statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made;
- ii) the audited Financial Statements and all other financial information included fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period covered by the audited Financial Statements;
- iii) the Directors are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company are disclosed, particularly during the period in which the audited financial statement report is being prepared;
- iv) the Directors have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited Financial Statements, and certify that the Company's internal controls are effective as of that date;
- v) the Directors have disclosed to the Company's auditor;
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and has identified for the Company's auditor any material weakness in internal controls; and
 - (b) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control
- vi) the Directors have indicated if there were significant changes in internal controls or in other factors that could significantly controls subsequent to the date of their evaluation, including any corrective actions with regards to significant deficiencies and material weaknesses.

The audited Financial Statements for the year ended December 31, 2022 was approved by the Directors on 30th June 2023.

Mr. Kayode Adebiyi

Managing Director FRC/2023/PRO/DIR/003/050348

Mr. Olamide Amoo, FCA

Financial Controller FRC/2023/PRO/ICAN/001/943546

Statement of Directors' Responsibilities

The Companies and Allied Matters Act, 2020 the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company at the end of each financial year and of its profit or loss. The responsibilities include ensuring that the company:

- a) Keeps proper accounting records that disclose with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act. 2020.
- b) Designs implement and maintains internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements. whether due to fraud or error; and
- c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The Directors responsibility for the annual report and financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with the International Financial Repording Standards and the requirements of the Companies and Allied Matters Act, 2020.

The Directors are of the opinion that the statements give a true and fair view of the financial position of the company and of its profit or loss. The directors ftrther a(zept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

Mr. Olayinka O. Akinkugbe

Chairman

FRC/2020/002/00000021130

Mr. Kayode Adebiyi

Managing Director

FRC/2023/PRO/DIR/003/050348

Corporate Governance Report for the year ended 31st December 2022

Fan Milk Plc is committed to the principles and practice that promotes good governance.

We recognize that sound corporate governance practices are necessary for effective management and control of the Company's business with a view to maximizing the shareholders' value and meeting the expectations of other stakeholders. In furtherance of the commitment to high ethical conduct, we regularly review our processes and practice to ensure compliance with the legislative and best practice changes in the global corporate environment. The Board of Directors has the ultimate responsibility for the overall functioning of the Company. The responsibilities of the Board include setting the Company's strategic objective, providing leadership to put them into effect, supervising the management of the business, etc.

At the close of the financial year under consideration, the Board comprised of 5 (Five) members including 1 (one) Executive Director, 2 (two) independent Non-Executive Directors (inclusive of the Board Chairman), and 2(two) Non-Executive Directors. The Directors are experienced stakeholders with diverse professional backgrounds in Accounting, Commerce, Management, Law, and Information technology. The Directors are men of impeccable Character and integrity, and the Company is delighted to have a versatile Board with an understanding of its responsibilities to the Shareholders, Regulatory Authorities, and Government.

The meetings of the Board are scheduled well in advance and the Board meets regularly. The record of attendance of the directors at the Boarding meetings held in 2022 is available for inspection at the Annual General Meeting.

AUDIT COMMITTEE

The Company established its Audit Committee in compliance with Section 404 (6) of the Companies and Allied Matters Act 2020. The Committee is comprised of 3 representatives of the shareholders (Elected annually at the AGM), and 2 Non-Executive Directors. Chief Adekunle Odesanya chaired the Committee during the year under review.

Corporate Social Responsibility Report

Fan Milk Plc is Committed to conducting its business in a transparent, socially, and environmentally responsible manner. The Company being a Danone Company has aligned its vision with the Danone 2030 Goals which are aligned with the 2030 Sustainability Development Goals (SDGs) of the United Nations, thus adopting a language that is universally understood. The Company is fully committed to these SDGs with a major focus on seven of them (SDGs 2,3,6,8, 12, 13, and 17), which embody our strategic mission, resonating with our product portfolio and with the material stakes of our industry.

ETHICS

Fan Milk Plc prides itself as an ethical corporate citizen and operates in accordance with the Laws of the Federal Republic of Nigeria. The Company also complies with all relevant statutory regulations and local laws in the Company. During the year, the Company intensified its Compliance program for all employees to strengthen the internal controls and corporate governance by rolling out the Compliance Fundamentals at Danone training for Employees covering key business areas including the Code of Business Conduct Policy, Integrity Policy, Gift and Hospitality Policy, and Third Party Vetting Procedures.

SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES

Fan Milk Plc constantly thrives towards offering fair and market-conform compensation and benefits packages to all staff based on benchmarks received from various sources. As in previous years, our company continues to provide staff amenities at all major sites as well as free canteen facilities at the factory in Ibadan and in Lagos. The company also maintains a Health Maintenance Organization (HMO) scheme for its employees.

SAFETY HEALTH AND ENVIRONMENT

The company continued the Safety, Health, and Environment (SHE) drive while embedding the WISE (Work in a Safe Environment) culture for all employees and people while on Fan Milk Plc's site with a view to preventing work-related injuries, understanding the Company's risk management process as well as complying with the Safety Health and Environmental Laws and regulations. We expect to continually improve the SHE performance with Zero injury goals.

Also, during the year under review, the Food Safety and Quality Policy was intensified with continuous awareness and training to deliver the Company's commitment to manufacturing products in compliance with Food Safety Management System which includes adherence to Hazard Analysis and Critical Control Points (HACCP) principles.

Corporate Social Responsibility Report (Cont'd)

Our Company continuously assesses the Safety, Health, and Environmental impact of its operation on both employees and the general public. Members of staff are regularly screened in conformity with the Nigerian Health Regulations.

Fan Milk Plc continues to emphasize safety at the workplace by setting and enforcing high standards of the working environment in the factory, distribution centers, and offices. Safety inductions are carried out regularly for newly employed staff introducing them to the safety procedures of the company. This has been coupled with health and safety training cutting across departments within the organization.

The safety Committee has throughout the year under review worked through participation from the various departments to respond to safety needs and to carry out monthly safety enlightenments and safety awareness trainings within the organization.

The Company's environmental activities and plans form an integral part of our Company's overall strategies and business plans.

TRAINING

The Company takes pride in saying its employees are its major assets and that continuous onthe-job training and external training courses to improve the employees' skill sets with the everevolving business environment we currently operate are fundamental to the growth of the Company.

The Company established a dairy training institute in Odeda, Ogun State to Upskill existing and new dairy farmers in the adoption of farming best practices. The first set of trainees graduated in November 2022.





Corporate Social Responsibility Report (Cont'd)











Statement of Profit or Loss & other comprehensive income

CONTINUING OPERATIONS	Note	31 December 2022	31 December 2021
		N'000	N'000
Revenue from contracts with customers	6	30,842,446	24,030,821
Cost of sales	7	(20,761,129)	(16,279,211)
Gross profit		10,081,317	7,751,610
Distribution expenses	7	(5,752,393)	(3,495,994)
Administrative expenses	7	(3,988,485)	(2,878,492)
(impairment losses)/Reversal on financial assets	14.1	(38,598)	17,355
Other income	9	110,849	189,694
Operating profit		412,690	1,584,173
Finance costs	10	(267,648)	(178,789)
Profit before tax		145,042	1,405,384
Income tax expense	11	(66,827)	(534,824)
Profit of the year		78,215	870,560
Other comprehensive income			
Actuarial loss on post employment benefit obligation	11	115,528	463,901
Deferred taxation on post employment benefit obligation	11	(34,658)	(149,737)
Other comprehensive income for the year, net of tax		80,870	314,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		159,084	1,184,724
Income attributable to:			
Owners of the company		78,215	870,560
		78,215	870,560
Other comprehensive Income attributable to:			
Owners of the company		80,870	314,164
		80,870	314,164
Earnings per share			
Basic (kobo)	17	14	102
Diluted (kobo)	17	14	102

The accounting policies and notes on pages 16 to 57 form an integral part of these financial statements

Statement of Financial Position

	Note	31 December 2022	31 December 2021
		N'000	N'000
ASSETS			
Non current assets			
Property, plant and equipment	12.1	15,780,302	10,782,065
Intangible assets	12.2	484	1,531
Deferred tax asset	18	1,360,122	687,560
Total non-current assets		17,140,908	11,471,156
Current assets			
Current income tax receivables	11	88,529	13,075
Biological Assets	12.3	104,945	· -
Inventories	13	7,567,817	8,217,512
Trade and other receivables	14	2,682,901	2,196,133
Cash and cash equivalents	15	2,013,194	1,265,694
Total current assets		12,457,386	11,692,414
Total assets		29,598,294	23,163,570
LIABILITIES			
Non-current liabilities			
Deferred tax liability	18	1,796,563	1,187,988
Employment benefit obligations	19	519,425	579,731
Total non-current liabilities		2,315,988	1,767,719
Current liabilities			
Borrowings	20	6,843,022	5,390,674
Trade and other payables	21	14,021,480	9,845,561
Lease liability	21.1	175,399	187,028
Contract liabilities	6	375,340	264,607
Dividend paybale	22	2,437	2,437
Total current liabilities		21,417,678	15,690,308
Total liabilities		23,733,666	17,458,027
Net assets		5,864,628	5,705,544
EQUITY			
Ordinary share capital	16	581,517	581,517
Share premium	16	4,241,575	4,241,575
Other components of equity	16	757,310	676,440
Retained Earning	16	284,226	206,012
Total equity		5,864,628	5,705,544
Total equity and liabilities		29,598,294	23,163,570

The accounting policies and notes on 16 to 57 form an integral part of these financial statements.

The financial statements and other national disclosures on page 12 to 59 were approved and authorised for issue by the board of directors on 30th June 2023 and signed on its behalf by:

Mr. Olayinka O. Akinkugbe

Chairman

FRC/2020/002/00000021130



Financial Controller FRC/2023/PRO/ICAN/001/943546



Mr. Kayode Adebiyi

Managing Director

FRC/2023/PRO/DIR/003/050548

Statement of Changes in Equity

Attitude to equity holders of the paremnt

	Ordinary Share capital	Share Premium	Other Components of equity	Ratained earnings	Equity
	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2021	581,517	4,241,575	362,276	(664,547)	4,520,821
Profit for the year	-	-	-	870,560	870,560
Actuarial loss on post employment	-	-	-	-	(463,901
benefit obligations	-	-	463,901	-	-
Deferred taxation on post	-	-	-	-	-
employment benefit obligation	-	-	(149,737)	-	(149,737)
Total comprehensive income	-	-	314,164	870,560	1,184,723
At 31 December 2021	581,517	4,241,575	676,440	206,012	5,705,544
At 1 January 2022	581,517	4,241,575	676,440	206,012	5,705,544
Profit for the year	_	-	_	78,215	78,215
Actuarial loss on post employment				-,	-,
benefit obligations	-	-	115,528	-	115,528
Deferred taxation on post					
Employment benefit obligation	-	-	(34,658)	-	(34,658)
Total comprehensive Income	-	-	80,870	78,215	78,215
As at 31 Decemeer 2022	581,517	4,241,575	757,310	284,226	5,864,629

The accounting policies and notes on pages 16 to 57 form an integral part of these financial statements

Statement of Cash Flows

	31 December 2022 N'000	31 December 2021 N'000
Cash flows from operating activities		
Cash generated from operations	6,521,252	51,977
Income taxes paid	(124,860)	(219,604)
Net cash generated from/(utilised in) operating activities	6,396,392	(167,627)
Cash flows from Investing activities		
Acquisition of property, plant and equipment	(6,926,825)	(4,911,630)
Proceeds from disposal of property, plant and equipment	82,986	141,410
Net cash utilized in investing activities	(6,843,839)	(4,770,220)
Cash flows from Financing activities		
Interest paid	(19,896)	(75,444)
Proceeds from borrowings	1,452,348	4,810,159
Repayment of borrowings (Overdrafts)	(153,770)	-
Payment of principal and interest portion of lease	(115,594)	-
Net cash outflow from financing activities	1,163,088	(4,734,715)
Net increase/(decrease) in cash and cash equivalents	715,641 1,265,694	(203,132) 1,468,826
Cash and cash equivalent at the beginning of the year		
Cash and cash equivalents at the end of year	1,981,335	1,265,694

The accounting policies and notes on page 16 to 57 form and integral part of these financial statements

Notes to the Financial Statement

1. General information

Fan Milk Plc was incorporated in Nigeria as a Limited Liability company on 4 November 1961 and was converted on 5 October 1995 to a public limited liability company and it is domiciled in Nigeria. The company has a factory located in Ibadan and is engaged in the production and distribution of dairy, juice and food products. Fan Milk Plc is a subsidiary of Danish Dairy Services A/S Denmark (Fan Milk International A/S). 99.3% of the share capital of the company is owned by Danish Dairy Services A/S Denmark and 0.7% owned by Nigerian individuals and corporate investors. Fan Milk Plc is a public unlisted company but its shares are tradeable on NASD.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements. Other national disclosures comprising of; statement of value added and five-year financial summary

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. The management of Fan Milk considers the following to be the most important accounting policies for the company. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the year end date and the reported revenues and expenses during the financial year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The financial statements are presented in Nigerian Naira, rounded to the nearest thousand.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis, although the Company had a total comprehensive income of N0.16billion (2021: N1.18billion) for the year ended 31 December 2022 and recorded a net current liability of N9.1billion (2021: 4.0billion) as at 31 December 2022. The Company relies mainly on both local and foreign vedors for the supply of raw and pack materials.

Fan Milk Nigeria recorded 28% increase in turnover over year 2021 despite inflation and naira devaluation challenges, this increase is due to the growth in the indoor and outdoor channel of the business and also significant improvement in ice cream category. The company experienced major month on month increase in sales performance.

The directors have no doubt that the Company will remain in existence after 12 months.

2.1.2 Changes in accounting policies and disclosures

2.1.2.1 New and amended standards adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022.

a) Property, Plant and Equipment: Proceeds before intended use — Amendments to IAS 16 (1 January 2022) The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

2.1.2.2 New standards, amendments and interpretations issued but not yet effecüve (continued)

a). Classification of Liabilities as Current or Non-current

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or

events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023

2.2 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency).

The financial statements are presented in thousands (Naira), which is the Company's presentation and functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Nonmonetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of

profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within operating expenses.

2.3 Property, plant and equipment

Leasehold land and buildings comprise mainly of factories and offices. Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated in the balance sheet at historical cost less accumulated depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Assets under construction are carried at cost less any recognised impairment loss. Cost directly related to the project and incremental includes professional fees which are capitalised in accordance with the companys accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Leasehold land is not depreciated. Depreciation is calculated using the straight line method to write off the cost of each asset over their estimated useful lives as follows:

Useful Life(Year)	
Buildings	50
Plant and machinery	10
Furniture and fittings	5
Milk crates	2
Motorvehicles	4
Conservators, bicycles and boxes	5
Spare parts	2

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable

amount. The recoverable amount is the higher of the estimated selling price in the ordinary course of business less costs to sell and value in use. Impairment losses and reversal of previously recognised impairment losses are recognised within "administrative expense" in profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income or other expenses — net' in profit or loss.

2.4 Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

2.5 Biological Assets

Biological Assets Financial assets are initially recognized as at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss. The Company does not currently have financial assets measured at fair value through profit or loss. Financial assets are subsequently measured based on their nature and purpose as determined at initial recognition. The company currently holds on loans and receivables as financial assets. Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income. Amortised cost: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents sole payments of principal and interest. Assets held under this business model are measured at amortised cost. Fair value through other comprehensive income: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income. Fair value through profit or loss: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value. The Company's financial assets are held to collect contractual cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets). The financial assets are measured at amortised cost. The Company's financial assets include trade and other receivables, and cash and cash equivalents. They are included in current assets,

amount. The recoverable amount is the higher of the estimated selling price in the ordinary course of business less costs to sell and value in use. Impairment losses and reversal of previously recognised impairment losses are recognised within "administrative expense" in profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income or other expenses — net' in profit or loss.

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except for maturities greater than 12 months after the reporting date which are included in non-current assets. Interest income from these assets is included in finance income using the effective interest rate method. Biological Assets are assets that are any living plants or animals owned by the company. They are stated in the statement of financial position and they are typically measured at fair value minus selling costs. The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period, are included in profit or loss. All costs related to biological assets that are measured at fair value are recognised as expenses when incurred, other than costs to purchase biological assets. The biological assets will be recognized as non-current assets once the useful life is more than twelve months

2.6 Impairment of non-financial Assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. 'Goods in transit' and 'non trade stocks' are valued at invoice price together with other directly attributable charges. Net realisable value is

the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.8 Financial assets

2.8.1 Classification and measurement

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

- Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.
- Amortised cost: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost.
- Fair value through other comprehensive income: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.

Fair value through profit or loss: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value.

Solely Payments of Principal and Interest: Where the business model is to collect contractual cash flows and held to collect and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The business model for the Company's financial assets are held to collect contractual cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest ((for interest bearing financial assets).

The Company's financial assets include trade and other receivables, cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

2.8 Financial Liabilities

2.8.1 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of the Effective Interest rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The EIR amortisation is included in interest expense in the statement of profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

2.9 Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost under IFRS 9: Financial instruments. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions. The simplified approach is applied for trade receivables while the general approach is applied to staff debtors, amounts due from related parties and cash at bank.

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

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due The Company holds the following financial instruments as at 31 December 2022:

Financial assets at amortised cost
Trade receivables
Related party receivables
Staff debtors
Cash and cash equivalents
Financial liabilities at amortised cost
Trade receivables
Related party receivables
Staff debtors
Cash and cash equivalents

2022 N'000	2021 N'000
769,346	525,302
491,885	573,324
21,708	23,298
2,013,194	1,265,694
3,296,133	2,387,618
2,008,108	1,824,971
31,859	-
14,021,480	9,845,561
16,061,447	11, 70,532

Trade receivables

The trade receivables represent the amount receivable from its customers for sale of goods. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed according to the behavior of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The expected loss rates as at 31 December 2022 are as follows:

Age of receivables	Current	31-60 days	61-90 days	91-120 days	Over 120	Total
	N'000	N'000	N'000	N'000	N′000	N'000
Gross carrying amount	808,735	3,659	2,223	199	45,129	859,945
Dafault rate	1.62%	172.15%	684.09%	1425.32%	117.73%	
Lifetime ECL	(13,128)	(6,299)	(15,208)	(2,832)	(53,133)	(90,600)
Total	795,607	(2,640)	(12,985)	(2,632)	(8,003)	769,347

The expected loss rates as at 31 December 2021 are as follows:

Age of receivables	Current	31-60 days	61-90 days	91-120 days	Over 120	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Gross carrying amount	531,494	7,933	6,324	950	30,603	577,304
Dafault rate	3.56%	14.66%	16.86%	28.36%	100.00%	
Lifetime ECL	(18,900)	(1,163)	(1,066)	(270)	(30,603)	(52,002)
Total	512,595	6,770	5,258	680	-	525,302

Staff Debtors

This requires a three-stage approach in recognizing the expected loss allowance for staff debtors. The Company assessed the staff debtors to determine the expected credit loss. Based on this assessment, the identified expected loss on the carrying amount of staff debtors as at 31 December 2022 is considered insignificant and has not been recognized. Staff debtors are assessed to be in stage 1.

Amounts due from related parties

This requires a three-stage approach in recognising the expected loss allowance for amounts due from related parties. The Company assessed the amounts due from related parties to determine the expected credit loss. Based on this assessment, the identified expected loss on this amount as at 31 December 2022 is considered to be insignificant. Amounts due from related parties are assessed to be in stage 1.

Cash and cash equivalents

This requires a three-stage approach in recognising the expected loss allowance for cash and cash equivalents. The Company assessed the cash and cash equivalents to determine the expected credit loss. Based on this assessment, the identified expected loss on cash as at 31 December 2022 is considered to be insignificant. Cash and cash equivalent are assessed to be in stage 1.

2.10 Income and deferred tax

The tax expense for the period comprises income and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive

income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

a) Current tax

Income tax is calculated on the basis of the applicable tax laws enacted or substantially enacted in Nigeria by the date of the statement of financial position and is recognised as an expense/(income) for the period.

Where the company has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The company does not offset income tax liabilities and current income tax assets.

a) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted in Nigeria by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-employment benefits and carry-forward losses.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax

assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value re-measurement of equity instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in profit or loss together with the deferred gain or loss.

2.11 Employee benefits

Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Company operates an accumulating leave policy; this can be encashed when the employee is leaving employment.

The Company operates both defined contribution and defined benefit retirement benefit scheme for its employees.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

a) Defined contribution plan

In line with the Pension Reform Act 2014, the company operates a defined contribution scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the company contributes 8% and 10% of the employee's basic, transport and rent allowances respectively. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Defined benefit plan

i. Gratuity scheme

The company operates a non-contributory defined benefits scheme. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension obligation.

Current service costs represents the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The net interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

ii. Long service award

The company provides employees with two (2) Long Service Award Benefits — a flat cash award expressed as a proportion of Basic Salary together with a gift award. The liability recognised in the balance sheet in respect of the awards is the present value of the long service award at the end of the financial reporting period less the fair value of the long service award's assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The long service award obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the long service award is determined by discounting the estimated future cash outflows using interest rates of highquality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related long service award liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in profit or loss. This cost is

included in employee benefit expense in the statement of profit or loss.

2.12 Leases

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases according to IFRS 16. The Company elected to apply the practical expedients for short term leases in relation to leases of MDCs (Main Distribution Centers) and apartment buildings.

Based on the accounting policy applied the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date of the right-of-use, assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that
 option; and

 payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the company incremental borrowing rate or the rate implicit in the lease contract.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease term determined by the Company comprises:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

2.13 Finance income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

2.14 Finance cost

Finance cost comprises interest expense on borrowings, Interest on acturial valuation and interest on lease liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualiffing asset are recognised in profit or loss using the effective interest method.

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

2.15 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

The cash flows from investing and financing activities are determined by using the direct method.

2.16 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provision is recognised when the company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a

pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or the company has a present obligation as a result of a past event that is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount can not be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised but they are disclosed in the financial statement when they arise.

2.17 Share capital

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

a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act, 2020.

2.18 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums from the issue of shares are reported in share premium.

Retained earnings/(accumulated losses): Retained earnings/(accumulated losses) comprises the gain/(loss) from previous years, which have not been reclassified to the other reserves. The general reserve also shows the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on employee gratuity after deduction of deferred taxes.

Other components of equity: Other reserve shows increase and decrease on the revaluation of non-current assets prior to the conversion of the Company's accounting standard to International Financial Reporting Standards. On conversion, the cost and revaluation surplus of non-current assets was taken as deemed cost and no subsequent revaluations have taken place. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. Gains or losses are not recognised in profit or loss until the asset has been sold or impaired.

2.19 Revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines

	Sale of diary products	Sale of ice cream	Sale of Juice	Sales of ELN Products	TOTAL
	N'000	N'000	N'000	N'000	N'000
Point in time	17,380	10,069	761	2,631	30,841

The company does not generate revenue from any goods any services to be recognised over time

Significant changes in contract assets and liabilities

The Company has recognised the following liabilities related to contracts with customers

Contract liablities - customer deposits

Contract liabilities

N'000
-
375,340
375,340

Accounting policies and significant judgements

Revenue recognition

The Company recognises revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods.

It is the Company's policy to recognize revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. The probability that a customer would make payment (collectability criteria) is ascertained based on the Company's internal risk assessment conducted for customers as stated in the credit management policy.

Definition of a customer

A customer is a party that has contracted with the Company to obtain goods that are an output of the entityps ordinary activities in exchange for consideration.

Identification of performance obligation

At inception, the Company assesses the goods stated in the invoice sent to a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled.

Saleofgoods

The Company manufactures and sells dairy products, ice cream and juice. Sales are recognised at a point in time when control of the products has been transferred, being when the products are delivered to the wholesaler or when the wholesaler picks up the goods from the entity's premises, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Right of return

It is the Company's policy to allow customers to return products after delivery within a certain time frame based on quality issues. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The expected refunds to customers was assessed to be 0.04% of revenue which is considered to be immaterial.

Recognition of contract assets and liabilities

Fan Milk Plc presents contract assets and liabilities in the statement of financial position to reflect the requirements of IFRS 15. As at 31 December 2022, contract liabilities of N375.3 million (2021: N264.6 million) has been recorded. This relate to advance payments from customers and also volume rebates earned by vendors and customers both of which can be used be used as consideration for purchase of goods.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk Management

3.1 Introduction and overview

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial statements. Risk management is carried out by management of the Company under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks. All of the company's financial assets and liabilities are carried at amortised cost.

3.2 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the company. Credit risk arises from cash and cash equivalents, and current account balances with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions.

Risks limits are set based on internal and external ratings in accordance with limits set by the Company's finance department.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3.2.1 Management of credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade receivables. Trade receivables are mainly derived from sales to customers.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Nigeria. Strict credit control is exercised through monitoring of cash

received from customers and, when necessary, impairment is made following the new IFRS 9 standards. As at December 31, 2022 management was unaware of any significant unprovided credit risk.

3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements

The Company's maximum exposure to credit risk at 31 December 2022 and 31 December 2021 respectively, is represented by the net carrying amounts of the financial assets in the statement of financial position.

Trade receivables (Gross) Related party receivables Staff debtors

Gross amount

Impairment of financial assets (note 14.1)

Net amount

Reconciliation of gross carrying amount of trade receivables

Gross carrying amount as at 1 January
Revenue from contracts with customers
Receipts from customers
Gross carrying amount as at 31 December

31 December 2022	31 December 2021
N '000	N '000
678,746	473,301
491,885	573,324
21,708	23,298
1,192,339	1,069,923
90,600	52,002
1,282,939	1,121,925
31 December 2022	31 December 2021
N '000	N '000
473,301	593,665
30,842,446	24,030,821
(30,637,001)	(24,151,185)
678,746	473,301

3.2.3 Expected credit loss

Trade receivables

The company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which calculates a lifetime expected loss allowance (ECL) for its trade receivables. The expected credit losses on trade receivables as at 1 January 2022 and 31 December 2022 and the average loss rate are shown in note 2.9.

Estimation uncertainty in measuring impairment loss

In establishing sensitivity to ECL estimates for trade receivables, two variables (GDP growth rate and Inflation rate) were considered. Of these variables, the Company's receivables portfolio reflects greater responsiveness to inflation rates.

The table below shows information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. Changes to these methods, assumptions and estimates may result in material adjustments to the carrying amounts of the Company*s financial assets.

a) Expected cash flow recoverable:

The table below demonstrates the sensitivity to a 20% change in the expected cash flows from trade receivables, with all other variables held constant:

trade receivables, with all other variables held constant.	Effect on profit before tax
	2022
Increase/decrease in estimated cash flows	N'000
+20%	18,120
-20%	(18,120)

b. Forward looking macro-economic variables:

This table shows the sensitivity of the expected credit loss to changes in each forward-looking macro variables, with all other variables held constant:

		31 December
Increase / decrease in inflation rate		2022
		N'000
Increase	+10%	(176)
Decrease	-10%	2,497
		31 December
Increase / decrease in GDP gr	owth rate	2022
		N'000
Increase	+10%	1,035
Decrease	-10%	(73)

Duefrom related parties

Amounts due from related parties arise as a result of expense incurred on behalf of related parties that are expected to be reimbursed. The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on amounts due from related party as they do not meet the criteria for applying the simplified approach. The general model uses a three-stage approach in recognising the expected loss allowance. The expected credit losses on related party receivables was insignificant and the loss allowance was deemed immaterial.

Staff loans

The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on its staff loans. The company applies the IFRS 9 general model for measuring expected credit losses (ECL) on staff loans as they do not meet the criteria for applying the simplified approach.. The general model uses a three-stage approach in recognising the expected loss allowance. The expected credit losses on staff loan was insignificant and the loss allowance was deemed immaterial.

Cash and cash equivalents

The Company also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses on cash as at 1 January 2022 and 31 December 2022 to be insignificant, as the loss rate is deemed immaterial. Cash are assessed to be in stage 1.

. ,
Credit quality derived using external credit rating
A+
A-
AAA+
B+
В
B-
Non-rated

Credit quality of cash and cash equivalents

31 December 2021 N'000	31 December 2020 N'000
40E 271	
485,371	-
5,227	10,368
(354,513)	712,072
164,633	66
279,580	72,827
239,952	105,745
1,192,944	467,612
2,013,194	1,368,690

3.2.4 Credit concentrations

There is no concentration of credit risk with respect to trade and other receivables as the Company has a large number of customers which are dispersed within Nigeria.

3.3 Liquidity risk

3.3.1 Management of liquidity risk

The Company has incurred indebtedness in the form of overdrafts but also has significant cash balances. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities. The company has no limitation placed on its borrowing capability.

3-3.2 Maturity analysis

The table below analyses financial liabilities of the Company into relevant maturity groupings based on the remaining period at date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

31 December 2022 (N'000)	31-90 days	91-180 days	181-365 days	Over 1year but less than 5 years	Total
Financial liabilities					
Borrowings					
Bank borrowings	-	-	2,008,108	-	2,008,108
Bank overdraft	31,859	-	-	-	31,859
Lease liabilities	-	-	175,399	-	175,399
Trade and other payables	-	-	12,499,181	-	12,499,181
Total financial liabilities	31,859		14,682,688	-	14,714,547

31 December 2021 (N'000)	31-90 days	91-180 days	181-365 days	Over 1year but less than 5 years	Total
Financial liabilities					
Borrowings					
Bank borrowings					
Bank overdraft	-	-	1,824,971	-	1,824,971
Lease liabilities	-	-	187,028	-	187,028
Trade and other payables	-	-	9,022,111	-	9,022,111
Total financial liabilities			11,034,110		11,034,110

3.4 Marketrisk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates and foreign exchange rates.

3.4.1 Interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Companys policy is to contract for best interest rate borrowings when terms offered are attractive.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

31 December 2022 (N'000)	Carrying amount	Variable interest	Fixed interest	Non interest- bearing
Assets				
Trade and other receivables	2,682,901	-	-	2,682,901
Cash and cash equivalents	2,013,194	-	2,013,194	-
	4,696,095	-	2,013,194	2,682,901
Liabilities				
Borrowings				
Bank borrowings	(2,794,947)	(4,803,055)	2,008,108	-
Bank overdraft	31,859	-	31,859	-
Trade and other payables	14,021,480	-	-	14,021,480
	11,258,392	4,803,055	2,039,967	14,021,480

31 December 2021 (N'000)	Carrying amount	Variable interest	Fixed interest	Non interest- bearing
Assets Trade and other receivables	2,196,133	-	-	2,196,133
Cash and cash equivalents	1,265,694 3,461,827	<u>-</u>	1,265,694 1,265,694	2,196,133
31 December 2021 (N'000)	Carrying amount	Variable interest	Fixed interest	Non interest- bearing
(N'000)				
(N'000) Liabilities				
(N'000) Liabilities Borrowings	amount	interest	interest	

3.4.2 Foreign exchange risk

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies.

The Company imports raw materials, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from CFA, Euro and USD exposures. Management is responsible for minimising the effect of the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due.

31 December 2022 (N'000)	Euro	CFA	Dollar
Liabilities			
Trade and other payable	594	-	12,350
Total	594	-	12,350
31 December 2021 (N'000)	Euro	CFA	Dollar
	Euro	CFA	Dollar
(N'000)	Euro 662	CFA 238,545	Dollar 9,298

The table below shows the impact on the Company's profit and equity if the exchange rate between the US Dollar/CFA/Euro and the Nigerian Naira had increased or decreased by 1%, with all other variables held constant.

Effect of 1% movement in EUR on profit before tax (N'000) Effect of 1% movement in USD on profit before tax (N'000) Effect of 1% movement in CFA on profit before tax (N'000)

31 December 2022	31 December 2021
2,875	3,204
48,724	36,683
<u>-</u>	1,760
51,599	41,647

3.5 Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date (2021: Nil), the company did not have any financial assets or liabilities measured at fair value. All financial assets and liabilities are carried at amortised cost.

Fair value of all the financial instruments at amortised cost are at level 3.

3.6 Financial instruments measured at fair value

	At 31 December 2022		At 31 December 2021	
	Carrying Value N'000	Fair Value N'000	Carrying Value N'000	Fair Value N'000
Financial assets				
Cash and cash equivalents	2,013,194	2,013,194	1,265,694	1,265,694
Trade and other receivables	1,606,549	1,606,549	1,128,829	1,128,829
	3,619,743	3,619,743	2,394,523	2,394,523
Financial liabilities				_
Borrowings				
Bank borrowings	(2,794,947)	(2,794,947)	(1,740,732)	(1,740,732)
Bank overdraft	31,859	31,859	-	-
Trade and other payables	12,499,181	12,499,181	9,022,111	9,022,111
	9,736,093	9,736,093	7,281,379	7,281,379

4. Capital management

The Company manages its capital to ensure it is able to continue as a going concern while maximising returns to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from prior years.

The capital structure of the company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued share capital, reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

The Company's risk management department reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company's gearing ratio is determined as the proportion of net debt to equity. No formal debt/equity target has been established.

4.1 Gearing ratio

The gearing ration at the end of the reporting period is as follows:

	31 December 2022	31 December 2021
Debt (note I)	6,843,022	5,390,674
Cash and cash equivalents	(2,013,194)	(1,265,694)
Net debt	4,829,828	4,124,980
Equity (note ii)	5,864,628	5,705,544
Net debt to equity	82%	72%

Note i: Debt is defined as long and short term borrowings:

Note ii: Capital includes all capital and reserves of the company

Loan covenants

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants:

- The Company shall not mortgage, pledge or subject to any lien or encumbrance any of the Company's properties and assets now owned without either securing the banks outstanding on a pari-passu basis or giving other security acceptable to the bank.
- The Company shall provide the bank with a copy of its audited statement of financial position and profit or loss accounts within 120 days of the end of the financial year.
- The Company shall submit a copy of its quarterly management accounts within 60 days of the end of the quarter and audited accounts within 120 days of the end of the financial year.

The Company complied with these covenants in the year 2021 and 2020.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

5.1 Employee benefit obligations

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining net cost for the employee benefit obligation include the discount rate, Any change in these assumptions will impact the carrying amount of the obligations. Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

5.2 Useful life of plant and machinery

Plant and machinery is depreciated over its useful life. The Company estimates the useful lives of plant and machinery based on the period over which the assets are expected to be available for use. The estimation of the useful lives of plant and machinery are based on technical evaluations carried out by those staff with knowledge of the machines and experience with similar assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

5.3 Impairment of financial assets

The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss rate for trade receivable is determined using a provision matrix approach.

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company*s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 2.9.

Additional information on impaired receivables is included in note 14.1.

5.4 Revenue recognition

Significant financing component

The Company has contracts with customers that requires advance payment to be made before sale of goods can occur. The Company has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

- The difference, if any, between the amount of promised consideration and cash selling price and;
- b) The combined effect of both the following:
 - The expected length of time between when the Company transfers the goods to their customers and when payment is received;
 - The prevailing interest rate in the relevant market.

The advance period is less than 12 months, usually within 30 days. As a result, the effect of discounting will not be material.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

6. Revenue from contracts with customers

	2022 N'000	2021 N'000
Sale of diary problem	17,380,493	14,160,328
Sale of ice cream	10,069,373	7,796,268
Sale of juice	761,281	620,489
Sale of ELN Products	2,631,299	1,453,736
	30,842,446	24,030,821

All sales are within Nigeria.

Revenue from contracts with customers is recognised at a point in time

i. Liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers

	At 31 December 2022 N'000	At 31 December 2021 N'000
Contract liabilities - customer deposits	-	-
Contract liabilities - rebates	375,340	264,607
	375,340	264,607

Contract liabilities relate to advance payments from customers and also volume rebates earned by vendors and customers both of which can be used as consideration for purchase of goods.

No revenue recognised in the current reporting period relates to carried-forward contract liabilities

7. Expenses by Nature

	At 31 December 2022 N'000	At 31 December 2021 N'000
Cost of sales		
Raw materials and consumables used	17,629,185	13,368,930
Employee benefit expense (note 8)	788,281	803,784
Rent and rates	1,187,789	851,310
Repairs and maintenance	316,308	501,914
Depreciation (note 12.1)	839,566	753,274
	20,761,129	16,279,211
Distribution Expenses		
Employee benefit expense (note 8)	1,077,282	977,086
Rent and rates	1,685,313	633,261
Advertising, sales promotion and corporate marketing	782,782	691,112
Repairs and maintenance	1,564,233	954,613
Depression charge of right-of-use assets (note 12.1)	259,455	24,157
Depreciation (note 12.1)	383,328	215,765
	5,752,393	3,495,995
Administrative Expenses		
Directors fees	6,420	6,608
Office expenses	1,413,819	736,683
Employee benefit expense (note 8)	779,927	546,119
Audit fees	28,503	27,738
Other expenses	479,298	159,862
Repairs and maintenance	392,582	339,411
Depreciation (note 12.1)	351,679	536,847
Amortisation of intangible asset (note 12.2)	1,047	1,083
Bank charges	269,986	259,826
Exchange losses	265,224	264,315
* Other expenses includes consultancy and legal fee.	3,988,485	2,878,492
	00 704 400	10.070.011
Cost of sales	20,761,129	16,279,211
Distribution expenses	5,752,393	3,495,994
Administrative expenses	3,988,485	2,878,492
	30,502,007	22,653,697

8. Employee Benefit Expense

Wages, salaries and allowances
Pension costs - defined contribution plans
Pension cost - defined benefits plans
Medical, welfare and training

At 31 December 2022 N'000	At 31 December 2021 N'000
2,280,977	1,970,046
88,636	90,761
18,550	65,557
257,328	200,624
2,645,490	2,326,988

9. Other income

Gain on sale of property, plant and equipment
*Sundry income

At	41,174 69,675 110,849	At 31 December 2021 N'000
	41,174	111,158
	69,675	78,536
,	110,849	189,694

^{*}Sundry income largely relates to income earned from the sale of scrap items from inventory and reimbursement received from the Industrial Training Fund for staff training expenses incurred in prior periods.

10. Finance costs

	At 31 December 2022 N'000	At 31 December 2021 N'000
Finance cost:		
-Bank borrowing	(19,896)	(75,444)
-Overdrafts	(153,770)	-
Interest on actuarial valuation	(76,462)	(96,036)
-Interest on lease liability	(17,520)	(7,309)
Total finance costs	(267,648)	(178,789)
Less amounts capitalised on qualifying assets	_	_
Total finance costs charged to profit or loss	(267,648)	(178,789)

11. Income tax

At 31 December 2022 N'000	At 31 December 2021 N'000
-	-
-	-
3,274	-
47,931	122,477
7	-
154,765	-
205,977	122,477
(139,150)	412,347
(139,150)	412,347
66,827	534,824
	2022 N'000 3,274 47,931 7 154,765 205,977 (139,150) (139,150)

The tax credit relating to components of other comprehensive income is as follows:

Actuarial loss on post employment benefit obligations
Actuarial gain on post employment benefit obligation
Other comprehensive income

Actuarial loss on post employment benefit obligations
Actuarial gain on post employment benefit obligation **Other comprehensive income**

At 31 December 2022											
Before tax N'000	Tax credit N'000	After Tax N'000									
-	-	-									
115,528	(34,658)	(80,870)									
115,528	34,658	80,870									

At 31 December 2021										
Before tax N'000	Tax credit N'000	After Tax N'000								
-	-	-								
499,123	(149,737)	349,386								
499,123	149,737	349,386								

The current tax charge has been computed at the applicable rate of 30% (31 December 2021: 30%) plus education tax levy of 2.5% (31 December 2021: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

The moment in the current tax receivable is a follows:

	At 31 December 2022 N'000	At 31 December 2021 N'000
At start of the year	(13,075)	84,052
Tax paid	(124,860)	(219,604)
Income tax charge	49,406	122,477
At end of the year	<u>88,529</u>	(13,075)

Further information about income tax is presented below

The tax on the Company's profile tax differs from theoretical amount that would

arise using the basic rate as follows:

	2022 N'000	2021 N'000
Profit before tax	145,042	1,405,384
Income tax using the domestic corporation tax rate @30%	43,513	421,615
Education tax	47,931	61,856
Effect of permanent differences	-	504,898
Adj Capital allowance	-	(742,269)
Exempt timing differences	(40,239)	(184,244)
Police trust fund	7	70
Tertiary education tax on temporary difference	-	-
Deferred tax	(139,150)	412,347
Minimum tax	154,765	60,551
Total income tax expense in income	66,827	534,824
Current	(88,529)	(13,075)

	N'000 N'000	- 27,099,382	6.926.825	104,945	- (366,286)	104,945 33,554,976	- (16,317,319)	- (1,781,828)	1 1	324,474	- (1/,//4,6/5)	104,945 15,780,302	22,282,411	- 4,911,630	- 004 650)	- 27,099,383		(1,530,043)	1	- 64 405	- (16,317,319)	
Construction and Biological Assets work in progress	N,000	2,507,221	5.399,631			7,398,351	,	ı	ı ı		•	7,398,351	2,851,607	(344,386)		2,507,221			ı	1 1		
	N'000	2,574,731	,	2,574,400	(34,640)	5,114,491	(2,363,160)	(133,043)	(1,049,103)	31,128	(4,314,259)	800,232	2,557,559	70,775	(52,602)	2,574,731		(215,765)	ı	23714	(2,363,160)	
	N,000	2,447,353	76	(85,869)	(62,280)	2,299,280	(1,973,561)	(210,447)	04,420	62,280	(2,087,301)	211,979	2,160,108	317,520	(170.05)	2,447,353		(1,//1,083) (232,152)	ı	30 274	(1,973,561)	
Furniture and Fittings	N,000	3,111,631	189.698	(2,396,380)	(54,580)	850,369	(2,266,794)	(299,001)	, 04%, 100	53,095	(663,515)	186,854	2,681,061	432,519	- (1040)	3,111,631		(293,590)	ı	1.585	(2,266,794)	
Plant and machinery & spares	N'000	14,141,185	1.268.429	(475,391)	(196,652)	14,737,572	(9,142,643)	(803,707)	1 1	171,180	(8) / (2) (8)	4,962,402	10,224,367	3,925,649	(0000)	14,141,185		(8,429,708) (721,707)	1	8832	(9,142,643)	
Right of Used Assets - MV	N,000	200,716	68,925	77,008		346,649	(11,106)	(83,203)	(34,420)	10000	(128,/3/)	217,912	,	200,716	ı	200,716		(11,106)	t	1 1	(11,106)	
Right of Use Assets	000,N	503,580	1	60,254	1	563,834	(109,499)	(209,905)	1 1	- (200)	(319,404)	244,430	362,887	140,693	1	503,580	1	(85,342) (24,157)	ı	1 1	(109,499)	
Leasehold land buildings	N,000	1,612,965	99	649,534	(18,135)	2,244,431	(450,556)	(42,523)	1 1	6,790	(486,289)	1,758,142	1,444,822	168,143	ı	1,612,965		(418,988) (31,567)	i	1 1	(450,556)	
12.1 Property, plant and equipment	Cost	At 1 January 2022	IFRS 16 Additions	Reclassification	Disposals	At 31 December 2022	Accumulated depreciation and Impairment At 1 January 2022	Charge for the year	Impairment charges Reversal of impairment charges	Disposals	At 31 December 2022	Net book value at 31 December 2022	Cost At 1 January 2021 IFRS 16	Additions	Reclassification	At 31 December 2021	Accumulated depreciation and Impairment	At 1 January 2021 Charge for the vear	Impairment charges	Reversal of impairment charges Disposals	At 31 December 2021	

12.2 Intangible assets

	At 31 December 2021
Cost	N'000
At 1 January 2022	57,598
Additions	
At 31 December 2022	<u>57,598</u>
Accumulated amortisation	
At 1 January 2022	56,067
Amortisation charge	1,047
At 31 December 2022	57,114
Net book amount at 31 December 2022	484
Cost	
At 1 January 2021	57,598
Additions	<u>-</u> _
At 31 December 2021	57,598
Accumulated amortisation	
At 1 January 2021	54,984
Amortisation charge	1,083
At 31 December 2021	56,067
Net book amount at 31 December 2021	1,351

The amortisation charge for the year is included in other operating expenses in the statement of profit or loss and other comprehensive income.

12.3 Biological Assets	At 31 December 2021 N'000	At 31 December 2021 N'000
At 1 January 2022	-	-
Additions	104,945	1-
Loss of Biological Asset	-	-
Biological Asset sold in the year	-	-
Increase in Fair Value		
At 31 December 2022	104,945	-

The entity's biological assets are made up of cattles and cows. As this is the first year of recognition, it is measured at cost. Subsequently, it will be measured using fair value model

13 Inventories

	At 31 December 2022 N'000	At 31 December 2021 N'000
Finished goods	2,485,260	1,388,237
Raw and packing materials	6,002,413	3,500,207
Non trade stock	123,286	100,107
Goods in transit	238,197	3,315,168
Provision for obsolete stock	(1,281,339)	(86,207)
	7,567,817	8,217,512

The cost of inventories recognised as an expense during the year was N17.6 billion (2021: 13.4 billion) Provision of inventory write down during the year was N1.3 billion (2021: 0.1 billion).

14. Trade and other receivables

	31 December	31 December
	2022	2021
	N'000	N'000
Trade receivables	769,346	525,303
Staff debtors	21,708	23,298
Due from related parties (note 25)	491,885	573,324
Other receivables	323,610	6,904
Prepayments (Custom Duty & Cash Advance)	1,076,352	1,067,304
	2,682,901	2,196,133
*Other receivable relates to prepayments other than custom duty prepay	ments.	
Trade receivables - net	769,346	525,303
Impairments	(90,600)	(52,002)
Gross trade receivables	678,746	473,301
14.1 Impairment of financial assets		
Movements in the provision for impairment of trade receivables are as foll	lows:	
	31 December 2022	31 December 2021
	N'000	N'000
At 1 January	(52,002)	(69,357)
Impairment (loss)/gain for the year'	(38,598)	17,355
At 31 December	(90,600)	(52,002)

15 Cash and cash equivalents

Cash in hand
Cash at bank
Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and cash equivalents
Bank overdrafts (note 20)
Cash and cash equivalents

31 December 2022	31 December 2021
N'000	N'000
1,192,944	467,612
820,250	798,082
2,013,194	1,265,694
31 December 2022	31 December 2021
2022 N'000 2,013,194	2021
2022 N'000	2021 N'000

16. Share capital

Issued and fully paid Ordinary shares

1,163,033,349 ordinary shares of 50k each

At 31 December

At 31 December 2022	At 31 December 2021
581,517	581,517
581,517	581,517

At the Extraordinary General Meeting held on 13 September 2018, the shareholders approved the increase of the authorised share capital of N1,200,000,000 divided into 1,000,000,000 ordinary shares of 50k each and 200,000,000 preference shares of 50k each to N2,000,000,000 divided into 1,800,000,000 ordinary shares of 50k each and 200,000,000 preference shares of 50k each by the creation of additional 800,000,000 ordinary shares of 50k each, such new shares ranking pari passu in all respects with the existing ordinary shares in the share capital of the Company.

At the Extraordinary General Meeting held on 13 September 2018, the shareholders approved the allotment of 163,217,501 ordinary shares at a price of N20 per share.

Movements in ordinary shares:

As at 1 January Shares issued in the year Less: Transaction costs arising on share issues **As at 31 December**

As at 1 January	
Shares issued in the year	
Less: Transaction costs arising on share issue	es
As at 31 December	

2022			
Number	Share capital	Share premium	
'N000	N'000	N'000	
1,163,033	581,517	4,241,575	
-	- -	-	
1,163,033	581,517	4,241,575	

2021		
Number	Share capital	Share premium
'000	N,000	N,000
1,163,033 - -	581,517 - -	4,241,575 - -
1,163,033	581,517	4,241,575

17. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Profit attributable to equity holders of the Company (N'000)
Weighted average number of ordinary shares in issue ('000)
Basic and diluted earnings per share (kobo)

2022	2021
159,084	1,184,724
1,163,033	1,163,033
14	102

There are no potentially dilutive shares outstanding at both year ends. Consequently, diluted earnings per share is the same as basic earnings per share

18. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 46.1% (2021: 38.1.0%). Deferred tax assets is recognised to the extent that it is recoverable from future taxable profits

Deferred income tax assets and liabilities are attributable to the following items:

	31 December	31 December
	2022	2021
Deferred tax liabilities	N'000	N'000
Deferred tax liability to be recovered after more than 12 months.	1,796,563	1,191,865
Deferred tax liability to be recovered within 12 months		(3,877)
	1,796,563	1,187,988
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months.	1,198,321	525,759
Deferred tax asset to be recovered within 12 months	161,801	161,801
	1,360,122	687,560
Net deferre d tax assets	(436,441)	(500,428)

The movement in deferred income tax assets and liabilities during the year is as follows

Deferred income tax assets	1 January 2022	Recognised in Profit or loss	Recognised in OCI	31 December 2022
	N'000	N'000	N'000	N'000
Employment benefit obligation	156,644	-	(34,658)	121,986
Unrealised exchange loss	161,801	-	-	161,801
Property, plant and equipment	1,045,052	-	-	1,045,052
Provisions	31,284		-	31,284
	1,394,781	-	(3 4,65 8)	1,360,122
Deferred income tax assets	1 January	Recognised in	Recognised in	31 December
Deferred income tax assets	2021	Profit or loss	OCI	2021
	N'000	N'000	N'000	N'000
Employment benefit obligation	306,381	-	149,737	156,644
Unrealised exchange loss	161,801	-	-	161,801
Property, plant and equipment	337,831	-	-	337,831
Provisions	31,284	-	-	31,284
	837,297	-	- 149,737	687,560
	1 January	December d by	December die	04 Danamahan
Deferred income tax liabilities	2022	Recognised in	Recognised in	31 December 2022
,		Profit or loss	OCI	
	N'000	N'000	N'000	N'000
Property, plant and equipment	1,933,805	137,242		1,796,563
Lease liabilities/Actuarial loss	-	-	-	-
Unrealised exchange gain	-	-	-	_
•	1,9 33 ,805	- 137,242	-	1,796,563

Deferred income tax liabilities

Property, plant and equipment Lease liabilities/Actuarial loss Unrealised exchange gain

	1 January 2021	Recognised in Profit or loss	Recognised in OCI	31 December 2021
	N'000 779,518	N'000 412,347	N'000 -	N'000 1,191,865
_	- 779,518	41 2,347	-	1,191,865

19. Employment benefit obligations

Defined contribution scheme:

The Company and its employees make a joint contribution of 18% (10% by the employer and 8% by the employee) of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. Defined contribution payable as at 31 December 2022 amounted to N21.8 million (2021: N18.2 million). This is presented within 'other accruals' in trade and other payables.

Defined benefit scheme

(a) Staff gratuity plan:

The Company operates an unfunded defined benefit staff gratuity plan where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period of five years and gross salary on date of retirement.

(b) Long service award

The company provides employees with two (2) Long Service Award Benefits – a flat cash award expressed as a proportion of basic salary together with a gift award based on years of service. The company's mandatory retirement age is 60 years for all staff.

Statement of financial position liability for:

Staff gratuity plan Long service award

31 December	31 December
2022	2021
N'000	N'000
481,587	536,899
37,838	42,832
519,425	579,731

a Staff gratuity plan

The amount included in the statement of financial position arising from the entity's obligation in respect of the gratuity scheme is as follows:

	31 December 2022	31 December 2021
Present value of unfunded obligations	N'000 481,587	N'000 536,899
Liability in the balance sheet	481,587	536,899

Movement in the present value of the gratuity scheme in the current year were as follows:

	31 December	31 December
	2022	2021
	N'000	N'000
Opening defined benefit obligation	536,899	912,988
Current service cost	21,537	60,290
Interest cost	69,797	89,322
-Actuarial loss arising from changes in economic assumptions -Actuarial gain arising from experience adjustments	(115,528)	(463,901)
Past service cost including curtailment losses Benefits paid	(31,118)	(61,800)
Closing defined benefit obligation	481,587	536,899

The amount recognised in comprehensive income in respect of the gratuity scheme is as

follows:	2022	2021
	N'000	N'000
Current service cost	21,537	60,290
Past service cost including curtailment gains and losses	-	-
Interest expense	69,797	89,322
Components of defined benefit costs recognised in profit or loss	91,334	149,612
Remeasurement of the defined benefit obligation		
-Actuarial gain arising from experience adjustments	(115,528)	(463,901)
-Actuarial loss arising from changes in economic assumptions	-	_
Components of defined benefit costs recognised in other comprehensive income	(115,528)	(463,901)
Total	(24,194)	(314, 289)
The current service cost for the year is recognised in employee benefit expense in profit/loss account. The entire interest expense for the year has been included in finance costs.		
The principal actuarial assumptions were as follows:	31 December 2022	31 December 2021
	N'000	N.000
Average long term discount rate (n.e.)	150/	13%
Average long term discount rate (p.a.) Average long term pay increase (p.a.)	15% 12%	15%
Average tong term pay increase (p.a.)	1270	10%

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Base	See above	481,587
Discount rate	+1%	448,626
	-1%	517,291
Inflation rate	+0.25%	473,099
	-0.25%	490,246
Mortality experience	Improves by 1 year	
	Worsens by 1 year	

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The maturity profile of staff gratuity is shown below:

	N'000
2020	
2021	15,614
2022	39,527
2023	34,477
2024	122,914
2025 &	126,847
above	654,531

The weighted average duration of staff gratuity as at 31 December 2022 was 10 years and 5 months.

b. Long service award

The amounts recognised in the statement of financial position are recognised as follows:

 31 December
 31 December

 2022
 2021

 N'000
 N'000

 37,839
 42,833

42,833

37,839

Present value of unfunded obligations

Liability in the balance sheet

Movement in the present value of the long service award in the current year were as follows:

	31 December	31 December
	2022	2021
	N'000	N'000
Opening long service award obligation	42,833	70,498
Current service cost	(2,987)	5,267
Interest cost	5,323	6,714
-Actuarial loss arising from change in assumption	-	
-Actuarial (gains)/losses arising from experience adjustments	-	(35,222)
Past service costs (including losses curtailments)	-	=
Benefits paid	(7,330)	(4,424)
Closing long service award obligation	37,839	42,833

The amount recognised in comprehensive income in respect of the long service award is as follows:

	31 December 2022	31 December 2021
	N'000	N'000
Current service cost Past service costs (including losses on curtailments) -Actuarial loss arising from change in assumption	(2,987) - -	5,267 - -
Interest expense	5,323	6,714
Components of defined benefit costs recognised in profit or loss Remeasurement of the defined benefit obligation	2,336	11,981
Ÿ		(DE 000)
-Actuarial (losses)/gains arising from experience adjustments	-	(35,222)
Components of defined benefit costs recognised in other comprehensive income	-	(35,222)
Total	2,336	(23,241)

The principal methods and assumptions are the same as the staff gratuity plan.

The current service cost and remeasurement gain/losses for the year are included in the employee benefit expense in profit/loss account. The entire interest expense for the year has been included in finance costs.

The sensitivity analysis for the long service award is detailed below:

Base	See above	37,839
Discount rate	+1%	36,545
	-1%	39,190
Inflation rate	+0.25%	37,510
	-0.25%	38,171
Mortality		
experience	Improves by 1 year	38,328
	Worsens by 1 year	38,887

The maturity profile of long service award is shown below:

	N'000
2020	0.500
2020	9,563 6,714
2021	10,641
2023	2,469
2024	2,548
2025 & above	13,146

The weighted average duration of long service award as at 31 December 2021 was 5 years and 6 months

c. Risk exposure on employee benefit obligations

I. Inflation risk

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

ii. Retirement age of employee

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

20 Borrowings

Non-current
Bank borrowings
Current Park howrousings
Bank borrowings Loans from related parties
Fan Milk International (FMI) loans Bank overdraft
Total borrowings
This is further analysed
Term Loans Fan Milk International (FMI) loans (Note 20.1) Bankers import finance facilities (Note 20.1)
Other borrowings Bank overdraft

31 December 2022	31 December 2021
N'000	N'000
2,008,108	1,824,971
2,000,100	3,565,703
4 000 055	3,303,703
4,803,055	-
31,859	-
6,843,022	5,390,674
6,843,022	5,390,674
31 December 2022	31 December 2021
N'000	N'000
4,803,055	3,565,703
2,008,108	1,824,971
6,811,163	5,390,674
31,859	_
31,859	
P 0 40 PPA	F 200 67 F
6,843,022	5,390,674

20.1 Banker Import Finance Facilities

Total Borrowings

This was an import finance facility obtained from Stanbic IBTC Bank Plc in October 2021 to finance importation with an interest rate of 12%. This was secured by a negative pledge over the assets of the company.

20.2 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities - minimum lease payments

Not later than 1 year Later than 1 year and no later than 5 years Later than 5 years

Future finance charge on finance lease liabilities

Present value of finance lease liabilities

31 December 2022	31 December 2021
N'000	N'000
175,399 -	-
175,399	-
175,399	_

21. Trade and other payables

Trade payables

Due to related parties (note 25)

Other payables

*Other accruals

31 December 2022	31 December 2021
N'000	N'000
4,374,782	3,130,112
7,700,339	5,565,940
653,058	159,237
1,293,301	990,272
14, 021,480	9,845,561

*Other accruals relate to factory expenses, electricity bills, marketing expenses and haulage fees for which the Company is yet to be billed.

Other payables relate to VAT, WHT and PAYE not yet remitted by the company as at end of the year. It also includes workmen compensation payables.

21.1 Lease liability

Lease liabilities at the beginning of the year

Additions

Interest expense for the year

Payments made during the period

Closing balance at the the end of the year

Current lease liabilities

Non-current lease liabilities

31 December 2022	31 December 2021
N'000	N'000
187,028	18,533
68,925	168,495
17,520	-
(98,074)	<u>-</u>
175,399	187,028
175,399	187,028
175,399	187,028

22 Dividend payable

At 1 January
Declared during the year
Payment in the year
At 31 December

31 December 2022	31 December 2021
N'000	N'000
2,437	2,437
_	-
2,437	2,437

23 Reconciliation of profit before tax to cash generated from operations

Profit before tax

Adjustments for:

- Depreciation of property, plant and equipment (note 12.1)
- Exchange loss on related party loan
- Impairment of trade and other receivables (note 14.1)
- Amortisation of intangible assets (note 12.2)
- Current service & interest cost on post employment benefits (note 19)
- Interest expense
- Interest expense on lease liability
- -Gain on disposal of property, plant and equipment(note 23.1)

Changes in working capital

Decrease/(increase) in inventories Increase/(decrease) in contract liabilities Increase in trade and other receivables Increase in trade and other payables

Cash generated from operations

23.1 Gain on disposal of property, plant and equipment

Proceeds on disposal of property, plant and equipment Less: net book value

Profit/(loss) on disposal of property plant and equipment

31 December 2022	31 December 2021
N'000	N'000
145,042	1,405,385
1,874,120	1,569,372
38,598	(17,355)
1,047	1,083
55,222	95,369
19,896	75,444
17,520	-
(41,174)	(111,158)
649,695	(4,874,573)
110,733	(94,565)
(525,366)	(1,010,076)
4,175,919	3,013,052
6,521,252	51,977
82,986	141,410
(41,812)	(30,252)
41,174	111,158

23.2 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

As at 1 January Cash flows Other changes (i)

2022			
	Cash/ bank overdraft	Borrowings	Net debt
	N.000	N'000	N.000
	-	(4,947,148)	(4,947,148)
	(31,859)	(<mark>1,</mark> 278,682)	(1,310,541)
	· -	(19,896)	(19,896)
	(31,859)	(6 , 245 ,726)	(6,277,585)
			•

2021		
Cash/ bank overdraft	Borr owings	Net debt
N'000	N'000	N'000
	(136,989)	(136,989)
	(4,734,715)	(4,734,715)
	<u>(</u> 75,444)	<u>(75,444)</u>
	<u>(4,947,148)</u>	<u>(4,947,148) </u>

As at 1 January Cash flows Other changes (i)

24. Contingent liabilities and commitments

Legal proceedings

The company has litigation and claims which arose in the normal course of business and they are being contested by the company. The directors, having sought professional legal counsel, are of the opinion that no significant liability will crystalise from these litigations and therefore no provision is deemed necessary for these legal claims. The Company had no contingent liability as at the time of this report.

25. Related party transactions

Fan Milk is a subsidiary of Fan Milk International, 99.3% of the share capital of the Company is owned by Fan Milk International and 0.7% is owned by Nigerian individuals and corporate investors.

The following transactions were carried out with related parties

(a) Transactions with related parties

Purchase of goods and services	Relationship	31 December 2022	31 December 2021
		N'000	N'000
Fan Milk International	Parent Company	253,478	152,877
Emidan A/S	Sister company	-	7,265,764
		253,478	7,41 8,64 1

Emidan operation was closed as at the end of year 2021. Normally purchases from Emidan A/S relates to the cost of raw Purchases from Fan Milk International and other CBUs relates to expenses incurred by related parties on behalf of the Company. Goods and services are bought from related entities on normal commercial terms and conditions.

(b) Keymanagement compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employee benefit	s
Post-employment benefits (Gratuity & pension)	

31 December 2022	31 December 2021
N'000	N'000
45,540	39,600
-	=
45,540	39,600

(c) Year end balances from sales/purchases of goods and services

Receivables from related parties	Relationship	31 December 2022	31 December 2021
		N'000	N'000
Fan Milk Ghana	Sister company	106,744	68,917
Fan Milk Togo	Sister company	25,526	25,526
Fan Milk West Africa	Sister company	-	24,276
Fan Milk International	Parent company	170,507	170,507
Danone	Ultimate parent	40,373	82,843
Danone South Africa	Sister company	11,652	-
Danone ELN (Early Life Nutrition)	Sister company	137,084	201,255
		491, 885	57 3,324
	_		
Payables to related parties	Daleti amakin	31 December	31 December
Payables to related parties	Relationship	2022	2021
Payables to related parties	Relationship		
Payables to related parties Fan Milk International	Relationship Parent company	2022	2021
		2022 N'000	2021 N'000
Fan Milk International	Parent company	2022 N'000 658,282	2021 N'000 426,605
Fan Milk International Emidan A/S	Parent company Sister company	2022 N'000 658,282 5,714,679	2021 N'000 426,605 4,299,355
Fan Milk International Emidan A/S Danone	Parent company Sister company Ultimate parent	2022 N'000 658,282 5,714,679 846,147	2021 N'000 426,605 4,299,355 404,349
Fan Milk International Emidan A/S Danone Fan Milk Ghana	Parent company Sister company Ultimate parent Sister company	2022 N'000 658,282 5,714,679 846,147 315,818	2021 N'000 426,605 4,299,355 404,349 223,993
Fan Milk International Emidan A/S Danone Fan Milk Ghana Fan Milk S.A. Togo	Parent company Sister company Ultimate parent Sister company Sister company	2022 N'000 658,282 5,714,679 846,147 315,818 71,000	2021 N'000 426,605 4,299,355 404,349 223,993 176,657
Fan Milk International Emidan A/S Danone Fan Milk Ghana Fan Milk S.A. Togo Fan Milk Cote d'ivoire SA	Parent company Sister company Ultimate parent Sister company Sister company Sister company	2022 N'000 658,282 5,714,679 846,147 315,818 71,000 89,109	2021 N'000 426,605 4,299,355 404,349 223,993 176,657
Fan Milk International Emidan A/S Danone Fan Milk Ghana Fan Milk S.A. Togo Fan Milk Cote d'ivoire SA	Parent company Sister company Ultimate parent Sister company Sister company Sister company	2022 N'000 658,282 5,714,679 846,147 315,818 71,000 89,109	2021 N'000 426,605 4,299,355 404,349 223,993 176,657

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

(d)	Loans from related parties	2022	2021
		N'000	N'000
	Loans from Fan Milk International (FMI)		
	At 1 January	(3,565,703)	-
	Addition during the year	(1,237,352)	(3,565,703)
	At 31 December	(4,803,055)	(3,565,703)

Interest expense on the FMI loan is computed using the effective interest method which takes into account any fees or costs that are an integral part of the effective interest rate. Interest expense is included in finance costs in the statement of profit or loss.

26. Staff numbers and costs

The average number of persons, excluding directors, employed by the company during the year were as

$f \cap I$	lows:
1()	IOVV5.

Senior Staff	Number	Number
Production	41	42
Administrative	136 177	139 181
Supervisory/Junior Staf f	111	101
Production	26	26
Administrative	153	160
	179	186
Total	356	367
The total employee benefits expense in the year comprise the following:	2022	2021
	N'000	N'000
Wages, salaries and allowances	2,280,977	1,970,046
Pension costs - defined contribution plans	88,636	90,761
Pension costs - defined benefit plans	18,550	65,557
Medical, welfare and training	257,328	200,624
	2,645,49 0	2,326,988

The table below shows the numbers of employees, other than employees who discharged their duties wholly or mainly outside Nigeria, who earned over N300,000 in the year.

	Number	Number
N300,001 - N500,000	25	25
N500,001 - N700,000	39	39
N700,001 - N900,000	50	50
N900,001 - N1,000,000	11	11
Above N1,000,000	231	242
	356	367
	2022	2021
Directors emoluments	N'000	N'000
Fees paid to non-executive directors	2,400	18,600
Emoluments paid to executive directors	45,540	39,600
Fees of the chairman	3,600	3,600
Emolument of the highest paid director	35,765	31,100

The number of Directors whose emoluments fell within the following range are as follows

N2,000,001 - N3,000,000 N3,000,001 - N4,000,000 Above N4,000,000

Emolument of the highest paid director

Number	Number
1	6
1	1
3	1
5	8

87,305

92,900

27. Compliance with regulatory bodies

The Company did not contravene any regulation of the Financial Reporting Council Act or any Act issued by any other relevant bodies.

28. Non-audit services

- a) No non- audit service has been rendered by Mazars to the company.
- b) Non-audit and other forms of assurance services have been rendered on the financial statements. The details of the professional firm is disclosed below:

Name of Signer	FRC number	Name Of Firm	Service rendered
Kriz David	FRC/2013/ICAN/0000004228	Midaspage & Company Tax compliance service	Tax compliance services

29. Events after statement of financial position date

There are no significant events, which could have had a material effect on the financial position of the company as at 31 December 2022 that have not been adequately provided for or disclosed in the financial statements.

	2022		2021	
	N'000	%	N'000	%
Turnover	30,842,446		24,030,821	
Other income	110,850	_	189,695	
	30,953,296		24,220,516	
Bought in goods and services	(22,988,552)		(15 710 571)	
-Local -Imported	(2,496,188)		(15,718,571) (2,496,188)	
Value added	5,468,557	100	6,005,758	100
Distribu ted as follows:				
To pay employees - Salaries and allowances, pension and welfare	2,645,490	48	2,326,988	39
To pay government - Income tax expense	205,977	4	122,477	2
To pay finance houses and overseas suppliers - Interests and bank charges	802,857	15	702,931	12

Retained for maintenance of assets and future expansion of business

- Deferred taxation
- Depreciation of property, plant and equipment
- Profit for the year

Value added

5,468,557	100	6,005,758	100
78,215	1	870,560	14
1,875,167	34	1,570,455	26
(139,150)	(3)	412,347	7

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

	2022	2021	2020	2019	2018
Statement of financial position	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	15,780,302	10,782,065	7,430,732	5,503,423	5,484,427
Deferred tax assets	1,360,122	687,560	837,296	252,173	223,970
Intangible assets	484	1,531	2,614	4,745	6,334
Biological Assets	104,945	-	-	-	-
Net current liabilities	(8,96 0,292)	(3,997,894)	(1,986,818)	(937,878)	(1,497,764)
Deferred tax liability	(1,796,563)	(1,187,988)	(779,518)	(154,132)	(41,609)
Employment benefit obligations	(519,425)	(579,731)	(983,485)	(671,635)	(640,442)
Net assets	5,969,572	5,705,543	4,520,821	3,996,696	3,534,916
Ordinary share capital	581,517	581,517	581,517	581,517	581,517
Share premium reserve	4,241,575	4,241,575	4,241,575	4,241,575	4,241,575
Other reserve	757,310	676,440	362,276	362,276	362,276
Retained earnings/(Accumulated losses)	284,226	206,012	(664,547)	(1,188,672)	(1,650,452)
Shareholders' funds	5,86 4,628	5,705,544	4,520,821	3,996,696	3,534,916
Statement of profit or loss					
Revenue from Contracts with Customers	30,842,446	24,030,821	14,946,277	13,473,589	11,161,36 6
Profit/(Loss) before tax	145,042	1,405,384	953,798	896,275	(147,358)
Income tax (charge)/credit	(66,827)	(534,824)	(243,138)	(434,496)	52,070
Profit/(Loss) after tax	78,215	870,560	710,660	461,779	(95,288)
Earnings/(Loss) per ordinary share (kobo) - Basic	14	102	45	(40)	(8)
Earnings/(Loss) per ordinary share (kobo) - Diluted	14	102	45	(40)	(8)

Photo Gallery





























Photo Gallery



















FAN MILK PLC 58TH ANNUAL GENERAL MEETING

PROXY FORM

Lounge, Radisson Hotel, Ikeja, 42/44 Isaac John
Street, Ikeja GRA, Lagos.
I/Webeing member/members of Fan Milk Plc hereby appointas my/our proxy to act and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 27 th July 2023 and at any adjournment thereof.
Dated this day of
Shareholder's signature
(Corporate must execute under its common seal)

At the 58th Annual General Meeting of the members of Fan Milk Plc held at the Executive

	RESOLUTION	FOR	AGAINST
	To lay the Report of the Directors, the Audited Financial Statements for the year		
	ended 31st December 2022, together with the Reports of the Independent		
	Auditors and the Audit Committee thereon.		
	To elect Mr. Yeo Ziobeieton as Director retiring by rotation		
ì.	To disclose the remuneration of Managers of the Company.		
l.	To authorize Directors to fix the remuneration of the Independent Auditors.		
i.	To elect members of the Audit Committee.		
	SPECIAL BUSINESS		
i	To fix the remuneration of the Directors		
	To authorize the Company through the Directors to enter into recurrent transactions with related parties or companies until reviewed by the Company at an Annual General Meeting.		
	To authorize the Directors to take all necessary steps to amend the Memorandum and Articles of Association of the Company by including options to convene the Annual General Meeting of the Company virtually or by any other electronic means in line with the Business Facilitation (Miscellaneous Provision) Act 2023		
	To authorize the Directors to take all necessary steps to amend the Memorandum and Articles of Association of the Company by including options to have a resolution which is put to vote at any general meeting decided through electronic voting in line with the Business Facilitation (Miscellaneous Provision) Act 2023		
0.	To authorize the Directors to take steps to comply with the requirements of the Companies and Allied Matters Act (CAMA) 2020 and 5.124 of the Companies Regulations 2021 in respect of the unissued shares of the Company; by any means acceptable to the Corporate Affairs Commission, including but not limited to the cancellation of all unissued shares of the Company		
1.	Pursuant to the cancellation of the unissued shares of the Company, the Memorandum of Association of the Company be and is hereby amended by deleting Clause 6 and substituting it with the following new clause: "The Share Capital of the Company is NS81,516,674.50k divided into 1,163,033,349 ordinary shares of 50kobo each."		
2.	To authorize the Directors and Management to enter into and execute any agreements, deeds, notices, and any other documents necessary for and/or incidental to effecting resolutions 8,9,10,11, and 12 above.		
3.	To authorize the Directors and Management of the Company to appoint such professional parties and advisers and to perform all such other acts and do all such other things as may be necessary for or incidental to effecting the above resolutions, including without limitation, complying with directives of any regulatory authority		

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

Notes:

- 1. Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 2. A proxy form must be completed and deposited at the office of the Company's Registrars, Greenwich Registrars, and Data Solutions Limited, 247, Murtala Mohammed Way, Yaba, Lagos, or sent by email to proxy@gtlregistrars.com no later than 48 hours to the meeting.
- 3. If the Shareholder is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorised.
- 4. The proxy must produce the Admission Card sent with the Notice of Meeting to obtain entrance to the meeting

	У,
	ADMISSION CARD
Please Admit	
To the Annual General Meeting of Fan Milk Plc which will be held at the Executive Lounge, Radisson Hotel, Ikeja, 42/44 Isaac John Street, Ikeja GRA, Lagos. This admission card must be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting.	Name of Shareholder
Olakunle Olusanya Company Secretary	Address of Shareholder

FAN MILK PLC SHAREHOLDERS DATA UPDATE

This is to inform share holders of FAN MILK PLC in our stable to update their peronal details such as:

Surname:	
First Name:	Other Names:
Email Address:	
Primary GSM Number:	Alternative GSM Number:
Clearing House Number(CHN)	Bank Verification Number(BVN):
Preferred Stockbroker's Name:	
Date of Birth	
Bank Name	Bank Account Number
Old Address	
New Address(to be used as update)	
Next of Kin:	Next of Kin Phone Number
Next of Kin Address:	
	update my/our shareholding account(s) with the above
information	
Individual Shareholder	Joint Shareholders Signature



Affix Current Passport Photograph

E-DIVIDEND MANDATE ACTIVATION FORM

return

Date			
	DD	MM	YY
Instructions Please complete <u>all sections</u> to the address below:	of this form to m	ake it eligible for p	rocessing and
The Registrar Greenwich Registr	ars & Data Sol	utions Limited	

274 Murtala Muhammed Way, Yaba, Lagos

Bank Mandate Information

I\We hereby request that henceforth, all the Dividend Payment(s) due to me\us from $my\our\ holdings\ in\ all\ the\ companies\ ticked\ at\ the\ right\ hand\ column\ be\ credited$

an ectivito my tour bank detailed	below.	
Bank Verification Number		
Bank Name		
Bank Account Number		
Account Opening Date		

Shareholders Account Information					
Surname/Company Nan	ne .	First	Name		Other Name(s)
Address					
Addiess					
City	State			Co	ountry
Previous Address (if any	<i>(</i>)				
CSCS Clearing House Nu	mber		Email Addre	ess	
- Coco Cicaring Inches					
Mobile Number (1)			Mobile Num	har	(2)
Mobile Number (1)			Mobile Num	Ibei	(2)
Charabaldar/a			and Ciamater		
Shareholder's Signature			2 nd Signator (Joint/Compa		Accounts)
- Jigilataro			(301114)		, 1000 a. 1100 j
C					
Company Seal (if applicable)			Company may pr	ocess	Grantee(s) consents that the the Grantee's personal data,
(11 41/2-11-11-11-11-11-11-11-11-11-11-11-11-11					address, telephone number and mation/documentation provided
			during the course of	of this	
			the purpose of pro-		

Only Clearing Banks Are Acceptable

Tick	Company Name	Shareholders Account No.
	11 PLC	
	2LP Management Company Limited Series 1	
	Abplast Products PLC	
	Allianz Nigeria Plc (erstwhile Union Assurance Company Limited; Ensure Insurance)	
	Aluminum Extrusion PLC	
	Axxela Bond	
	Cashew Nuts Processing Industries PLC	
	Chellarams PLC	
	Christlieb PLC	
	DANA Group of Companies PLC Series 1 & 2	
	DN Tyre & Rubber PLC	
	Ekiti State Bond Tranche 2	
	Ekiti State Government Bond	
	EKOCORP PLC	
	Eterna PLC	
	FAN Milk PLC	
	General Telecoms PLC	
	GlaxoSmithKline Nigeria PLC	
	Global Biofuel Nigeria LTD	
	Great Nigeria Insurance PLC	
	Greenwich Alpha ETF	
	Greenwich Money Market Fund	
	Ikeja Hotels PLC	
	Impresit Bakolori PLC	
	Industrial & General Insurance PLC	
	IPWA PLC	
	John Holts PLC	
	Julius Berger Nigeria PLC	
	Kajola Integrated & Investment Company PLC	
	Lennard Nigeria PLC	
	Local Contractors Receivables Bond Tranche	
	1, 2 & 3 Meyer PLC	
	Municipality Waste Management Contractors Limited Series I,II & III	
	Nestle Nigeria PLC	
	Nigeria Cement Company PLC	
	Nigeria Entertainment Fund	
	Nigeria Reinsurance	
	Nigerian Enamelware PLC	
	Nigerian Lamp & Industries	
	Nigerian Wire & Cable PLC	
	Nova Bond Series I	
	Okitipupa Oil Palm PLC	
	Oluwa Glass Company	
	Primero BRT Securitization SPV	
	Studio Press Nigeria PLC	
	Sush SPV Bond II	
	The Tourist Company of Nigeria PLC	
	Tripple Gee & Company PLC	
	Unilever Nigeria PLC	
	Union Homes REITS	
	Union Homes Savings & Loans PLC	
	University Press PLC	
	Wema Bank PLC	
	Wema Funding SPV Plc Bond Series I & II	

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Statistical Analysis of Share Holdings

SHARE RANGES	NOS OF SHAREHOLDERS	NO OF SHARES OF 50 KOBO	% OF SHARES HELD
1-4,999	94	181,087	0.02%
5,000 - 49,999	64	976,404	0.08%
50,000 - 99,999	8	577,422	0.05%
100,000 - 499,999	11	2,432,166	0.21%
500,000 - 999,999	4	3,215,952	0.28%
1,000,000 - 4,999,999	1	1,155,650,318	99.37%
TOTAL	182	1,163,033,349	100.00%

SHAREHOLDER TYPES	NOS OF SHAREHOLDERS	NO OF SHARES OF 50 KOBO	% OF SHARES HELD
Nigerians	181	7,383,031	0.63%
Foreigner (with foreign addresses)	1	1,155,650,318	99.37%



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