

Bridging into Our Future

**2 0 1 8**  
**ANNUAL**  
**REPORT**



NASCON Allied Industries PLC

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#### Bridging into our future

We have undertaken deliberate steps to bridge into our future by optimizing our capacity to dominate in the various product segments. We invested strategically in state-of-the-art equipment to guarantee superior products for our customers and consumers.



## OUR VISION, MISSION & CORE VALUES

### Vision

Our vision is to be a world class consumer goods company that is recognized for the quality of our products and services, delivering high returns to our stakeholders.

### Mission

- To deliver consistently good results to our shareholders by selling high quality products at affordable prices, backed by excellent customer service.
- To satisfy market demand by producing the best quality products with the best resources and processes that comply with international industry standards and industry best practices.
- To provide economic benefit to local communities in which we operate.
- To set a good example in areas of corporate governance, sustainability, health and safety.

### Core Values

#### Customer Service

As a world-class organisation, we understand that we exist to serve and satisfy our customers. Accordingly, our customer orientation reflects intimacy, integrity and learning.

#### Entrepreneurship

We continuously seek and develop new businesses, and employ innovative ideas to retain our market leadership.

#### Excellence

We are a large organisation, working together to deliver the best products and services to our valuable customers and stakeholders. To achieve this, we demonstrate teamwork, respect and meritocracy.

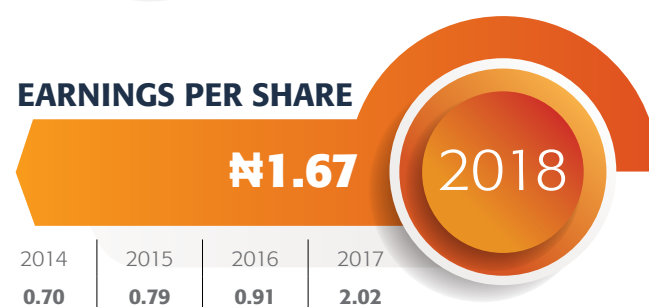
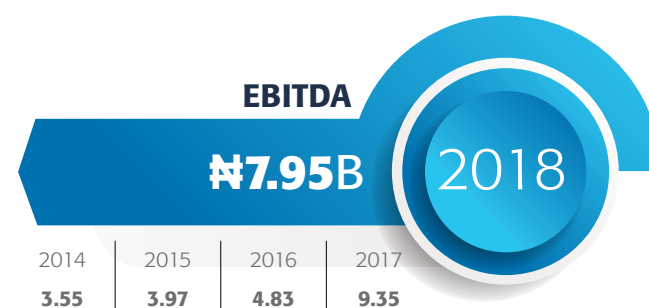
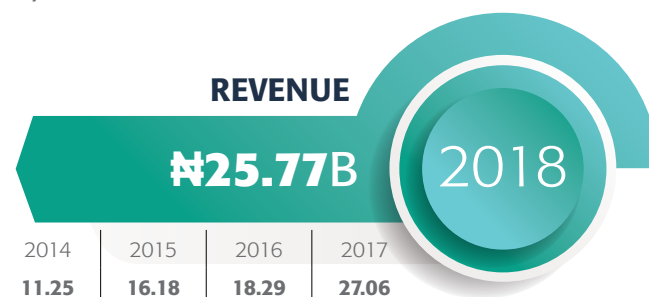
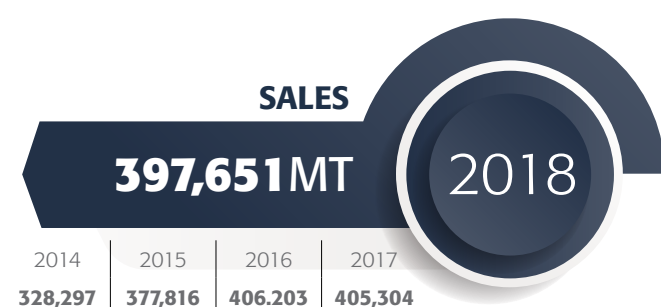
#### Leadership

We thrive on being leaders in our business, markets and communities. To drive this, we focus on continuous improvement, partnership and professionalism.





## 2018 At a Glance



# Every Taste Makers Delight





## Chairperson's Statement



"...We delivered on our commitment for continuous value creation and retention of our position as market leader in our core business."

### Dear Shareholders,

On behalf of the Board of Directors, it's my pleasure to present the annual report and accounts of NASCON Allied Industries Plc for the financial year ended 31st December 2018 at this Annual General Meeting.

I would like to use this opportunity to extend my profound appreciation to the Board of Directors, management, staff, shareholders and other important stakeholders for their dedication, unwavering commitment and hard work which kept the company going despite the many operational and economic challenges faced by businesses operating in Nigeria in 2018. I trust we can continue to count on your support, as we navigate our company through our expansion plans in the coming year.

In 2018, the Nigerian socio-political and economic environment remained challenging, albeit we witnessed a marked improvement in the economic growth rate compared to 2017. Economic activities were generally muted as a result of a number of factors including the resurgence of Boko Haram attacks in the North East and the escalation of clashes between cattle herders and farmers which negatively impacted agricultural output in the worst hit areas.

Economic growth was also dampened by heightened capital outflows on the back of rising yields in developed countries such as the US & UK and the uncertain domestic political environment. This resulted in the Nigerian Stock Exchange (NSE) All Share Index, which was the 3rd best performing stock market in 2017, contracting by 17.8% in

## Chairperson's Statement

"We will retain our focus on implementing a sustainable expansion strategy across our business lines whilst constantly engaging all our stakeholders."

2018 leading to the NSE being considered as one of the worst performing markets globally, as investors exited the market and repatriated capital. Furthermore, the delays and inconsistency in implementing the key fiscal and monetary policies required to stimulate economic growth contributed to the slow economic growth during the year. These factors also had a significant impact on consumer spending and manufacturing activities.

On the whole, the economy grew by 1.9% in 2018, compared to the 2017 growth of 0.8%. This markedly improved growth rate was driven by a 2.32% growth in non-oil sector activities, including Information and Communications, Agriculture, Services and Trade sectors. Whilst, the oil sector contracted 2.9% on a year-on-year basis, primarily due to lower oil production levels.

In a bid to deliver on our commitment for continuous value creation and retention of our position as market leader in our core business, we regularly reviewed our strategy during the year to ensure alignment with market realities. These strategy reviews also provided avenues for constant feedback to the business, resulting in the implementation of appropriate value-adding measures along the value chain of the business. An example of such initiatives was the integration of our logistics- tracking module to our enterprise resource planning application, to safeguard our assets (trucks, stock and diesel) and to guarantee proper monitoring of cost of goods sold.

For the financial year ended 31st December 2018, we recorded a turnover of ₦25.77bn representing a 5% decline from the previous year. Profit After Tax, fell by 17%, from ₦5.34bn in the previous year, to ₦4.42bn in 2018. The disproportionately higher fall in profitability was as a result of significant cost pressures, including a 5% increase in direct manufacturing costs related to crude transfers, freight costs and foreign exchange forwards; and a 15% increase in depreciation charges related to trucks, new machines for the seasoning plant and 6MT salt refining machines. Earnings per share also reduced from ₦2.02 in 2017 to ₦1.67 in 2018.

Furthermore, the Board has recommended for your kind consideration and approval at this AGM the payment of a dividend of ₦1.00 per 50k share (2017: ₦1.50), totaling ₦2.65bn (2017: ₦3.97bn).

Unfortunately, the persistent drawbacks experienced in the tomato concentrate and vegetable oil categories over the last few years are still present. The required raw materials, triple concentrate tomato paste and crude palm oil (CPO) remained on the restricted list and our efforts to source the required materials locally and at a reasonable cost were largely unsuccessful.

In 2019, we remain positive about our business, and we will retain our focus on implementing a sustainable expansion strategy. During the year, we would be producing and selling all the CPO acquired, and we would continue to drive new seasoning products, whilst constantly engaging our stakeholders. In respect of our core salt business, we are excited about our significant investment in expanding our refined capacity while leveraging on our brand dominance. This capacity would be focused on driving volumes in both the sachet and corporate segments of the market.

I am pleased to inform our stakeholders, that Health, Safety & Environment and Sustainability considerations are now major drivers of policy and strategy at NASCON. Strategies currently incorporated across the business, are geared towards supporting and developing local content. This drive provides opportunities for local and indigenous suppliers, enables skilled and unskilled personnel to thrive within our business space, whilst ensuring we add value to our host communities.

The Board of Directors wishes to extend its appreciation to all employees for their contribution and commitment in 2018. We also hereby thank all shareholders, customers and business partners for the confidence and support they have given us as we look forward to the continued development of long-lasting and mutually beneficial relationships with them. Kindly accept the assurances of my highest regards.

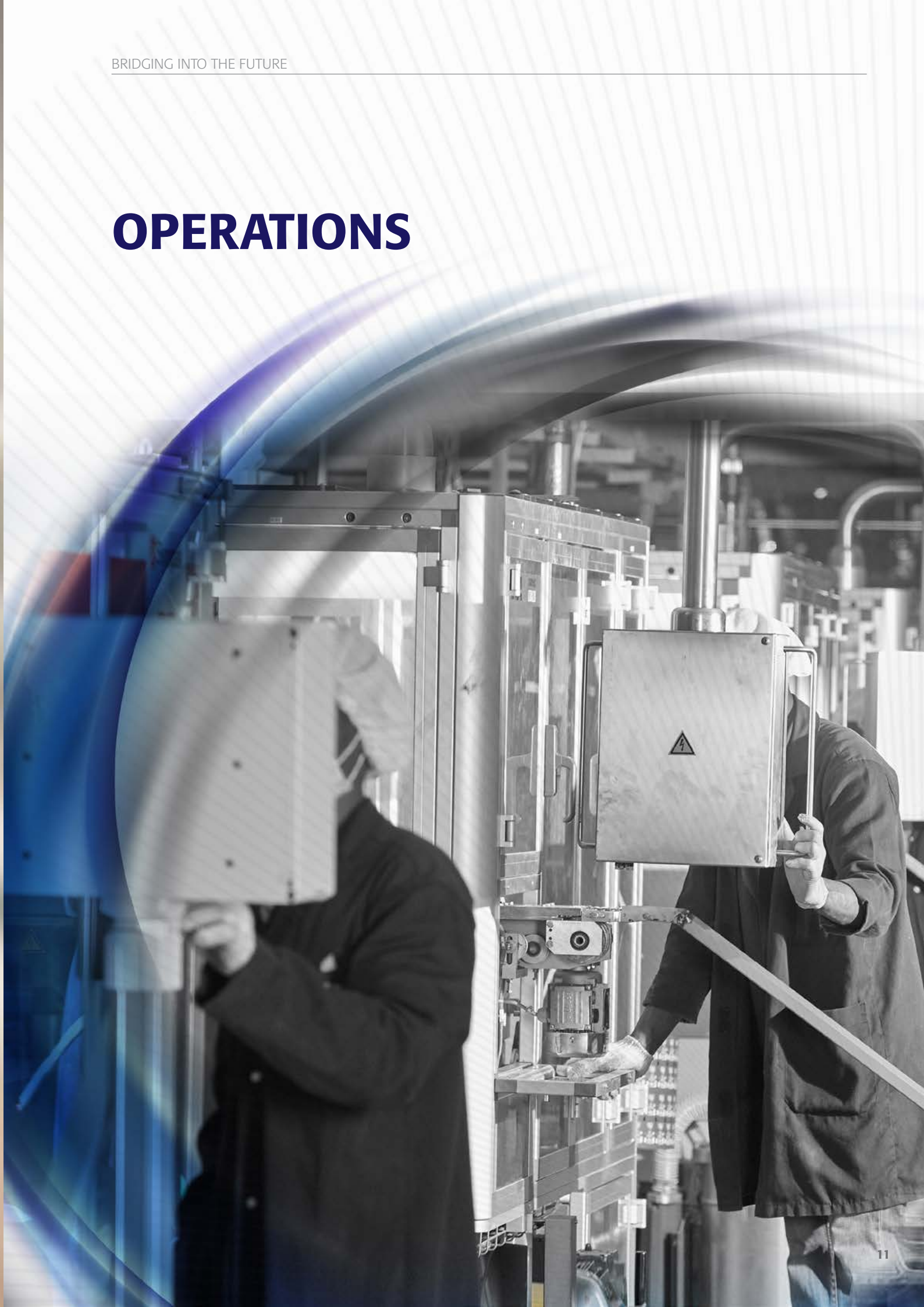
**Yemisi Ayeni**  
Chairperson







# OPERATIONS





## Company Overview

NASCON Allied Industries Plc is Nigeria's leading refiner and distributor of household, food processing and industrial salt with installed production capacity of 567,000 metric tonnes per annum.

We employ over 500 people in our factories, warehouses, fleet and offices throughout Nigeria with our headquarters in Oregun, Lagos. We strictly adhere to rigorous industry and regulatory standards that ensure quality products for Nigeria's ever-increasing consumer and developing industrial markets. Our products have Standards Organization of Nigeria (SON), International Organization for Standardization (ISO) and the National Agency for Food and Drugs Administration and Control (NAFDAC) certifications.

We have three regional sales offices that manage the warehouses and other distribution centers strategically located to serve the Nigerian and neighbouring markets. We own a fleet of over 200 trucks dedicated to the distribution of our products across Nigeria.

### Our History

National Salt Company of Nigeria was established as a salt refinery at Ijoko, Ogun State in 1973, as a joint venture between the Federal Military Government of Nigeria and Atlantic Salt & Chemical Inc. of Los Angeles, California, USA, due to an identified need for self-sufficiency in the production of salt, an essential commodity. Construction work commenced on October 20, 1974 with the refinery completed in December 1975 and erection of plants and machinery in August 1976. The plant was commissioned with an initial installed capacity of 110,000 metric tonnes.

The Company was privatised in 1991 with its shares listed on the Nigerian Stock Exchange in October 1992, through which Dangote Industries Limited purchased majority shares in National Salt Company of Nigeria. Following the reverse takeover of NASCON by Dangote Salt Limited (DSL) in 2007, NASCON acquired the assets, liabilities and business undertakings of DSL.

### Our Plants

The Apapa refinery, located in the Apapa Port of Lagos, was commissioned in 2001 with an installed capacity of 275,000 metric tonnes per annum. The Port Harcourt refinery located in the sea port in Rivers State was commissioned in 2003 with an installed capacity of 210,000 metric tonnes per annum. The Oregun plant was commissioned in 2004 with an installed capacity to refine 82,000 metric tonnes of salt per annum.

Our plants are primarily powered through the National Grid with Caterpillar generators fueled by gas or diesel, with combined capacity to generate 6.1MW of power.

We made a strategic decision in 2011 to grow the company through new product lines and changed our name to NASCON Allied Industries in 2014 from National Salt Company of Nigeria to reflect our new positioning. We took advantage of our existing site in Ota and construction activities commenced in 2012. We commissioned the Seasoning plant in 2014 with an installed capacity of 5,016 metric tonnes per annum as of 2018. The Tomato Paste packaging plant, which is designed to produce and package Tomato Paste from tomato concentrate was commissioned in 2015 with an installed capacity of 37,440 metric tonnes. The Vegetable Oil refinery was commissioned in 2015 and can produce 156,000 metric tonnes of refined vegetable oil from crude palm oil.

### Our Products

#### Salt

NASCON offers a comprehensive salt product portfolio that are sold mostly in 50kg bags under the well-known "Dangote" brand. For us salt is more than just the mineral that enhances the flavour in food. As an essential element in our diet, we fortify it with iodine under UNICEF guidelines and Nigerian regulations to combat iodine deficiency disorders.

#### Seasoning, Spices and Mixes

Our Seasoning is presently available in chicken and beef flavour variants. We have expanded our offerings in line with consumer needs, with the new Classic Seasoning cubes, Stew Mix and Curry powder.

#### Tomato Paste

This is a thick paste made from triple concentrate. We entered into this product category in response to an identified supply gap within the Nigerian market where local production plus imports have been unable to effectively meet local demand.

#### Vegetable Oil

In response to the obvious supply gap in the market and the perennial shortage of vegetable oil, resulting in the influx of low quality grey imports into Nigeria, we commenced the production and sale of vegetable oil as a high grade refined product for domestic and industrial use in 2015.

## Installed Capacity

# 567,000MT/PA

Apapa, Port Harcourt & Oregun



# 5,016MT/PA

Ota



# 37,440MT/PA

Ota



# 156,000MT/PA

Ota





## Managing Director's Review

"...Our outlook for next year is strong, as we remain strongly focused on capacity growth and market penetration."



### 1. How would you summarize NASCON's performance in 2018?

It was a challenging year for manufacturing companies in Nigeria. Macro-economic pressures and the operating environment further increased our cost structure during the course of the year. Despite these challenges, we remain strategically focused on increasing our product offerings and our capacity within our current product portfolio to secure consistent topline performance. We achieved Sales Volume of 397,561MT, with Revenue of ₦25.77B and EBITDA of ₦7.95B. Our Profit Before Tax for the year was ₦6.45B with a 25% margin. Our Share Price closed the year at ₦18.00 with market capitalization of ₦47B. These indices are encouraging and are a reflection of our passion to deliver on our promise to our shareholders despite the slow recovery from the 2017 economic recession.

### 2. What were the main pressures facing NASCON in 2018?

In 2018, the Nigerian economy grew marginally compared to prior year and this growth was stimulated by increasing non-oil business activities, and month-on-month decline in inflation. However, the equities markets experienced volatility even with largely positive economic indicators.

The Apapa gridlock and deteriorating transport infrastructure affected the movement of raw materials and delivery of finished goods. The increase in global oil prices led to increased global freight prices and AGO costs which increased our cost of production. The porous borders allowed the proliferation of substandard seasoning products into the market.

### 3. What were the key risks in the business and how did you mitigate against the effect?

The Apapa gridlock, refined production and seasoning cubing capacity were the key risks in our business and we were able to mitigate against these effects.

The Apapa gridlock affected the movement of raw materials to Oregun, timely delivery of finished goods to our customers and increased turn-around time of our trucks. We relocated 60% of our Apapa Plant production capacity to our Oregun and Port Harcourt Plants to reduce the effects of the gridlock. We also engaged 3rd party transporters to ensure timely delivery of our finished goods.

We increased our salt production capacity in Oregun by purchasing an automated production line focused on

## Managing Director's Review

"Our investment focus in the coming years will be dedicated to offering our consumers with premium products in all our segments.."

refined salt for corporate customers. We also optimized our seasoning cubing capacity in Ota to service increased demand for our existing and new products.

### 4. NASCON has 3 new products in the market. What was the rationale behind them?

In 2018 we launched the Dangote Stew Mix, Dangote Curry and Dangote Classic Seasoning. These three products are part of a wider product enrichment plan to diversify our product portfolio. The products were specifically developed to meet and surpass the needs of our consumers across the country. Each of these products has been tailored to suit the local taste and cooking habits of the different regions in Nigeria. We would continue to ensure that we differentiate ourselves in our product categories by consistently delivering high quality, nutritious products.

### 5. What is the focus of investments in the coming years?

Our investment focus in the coming years will be dedicated to offering our consumers premium products in all our segments. Our portfolio expansion initiatives include positioning new seasoning products to provide an assortment of savory taste experiences with regionalized flavors.

We invested significantly in expanding our refined capacity while leveraging on our current brand dominance. We have undertaken deliberate steps by optimizing our capacity to dominate in all the Salt product segments.

We will also be increasing the number of our trucks and re-distribution vans to ensure our route-to-market strategies are implemented.

### 6. What is the outlook for NASCON in 2019?

Despite the challenging environment in 2018, we have demonstrated our resilience and are optimistic in our outlook for next year. We remain strongly focused on capacity growth and increased market penetration. We would be leveraging on a range of synergies including improved output in terms of quality, quantity and business efficiency through regular and objective self-assessments.

Finally, I want to specifically thank our trade partners, consumers, suppliers, team members and strategic stakeholders for contributing to our success story in 2018. We look forward to continuing these mutually beneficial relationships in the future.

**Paul Farrer**  
Managing Director





## Chief Financial Officer's Review

"We achieved total volume of 397,561MT; total revenue of ₦25.77bn and net profit of ₦4.42bn"



### Summary of Financial Performance

|                             | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|-----------------------------|--------------------|--------------------|
| <b>Financial Highlights</b> |                    |                    |
| Total Revenue               | 25,769,352         | 27,064,325         |
| Gross Profit                | 7,780,689          | 9,994,015          |
| GP Margin (%)               | 30.2%              | 36.9%              |
| EBITDA*                     | 7,949,455          | 9,354,478          |
| EBITDA Margin (%)           | 30.8%              | 34.6%              |
| Operating Profit            | 5,981,006          | 7,626,856          |
| Profit Before Tax           | 6,449,385          | 7,909,488          |
| PBT Margin (%)              | 25.0%              | 29.2%              |
| Net Profit                  | 4,420,217          | 5,343,592          |
| Earnings per share          | ₦1.67              | ₦2.02              |
| Net Cash & Cash Equivalents | 2,549,226          | 9,438,170          |
| Total Assets                | 30,270,429         | 30,123,247         |

\*Earnings before interest, taxes, depreciation and amortisation

"Salt contributed 80.6% of total revenue. Seasoning contributed 3.6% and freight delivery of our products contributed 15.8%"

|                          | 31-Dec-18<br>Tonnes | 31-Dec-17<br>Tonnes |
|--------------------------|---------------------|---------------------|
| <b>Volume by Product</b> |                     |                     |
| Salt                     | 395,848             | 403,432             |
| Seasoning                | 1,713               | 1,404               |
| Vegetable Oil            | -                   | 468                 |
| <b>Total Volume</b>      | <b>397,561</b>      | <b>405,304</b>      |

## Chief Financial Officer's Review

Salt volume reduced slightly by 2% to 395,848MT compared to 403,432MT in 2017. Seasoning volume increased by 22% in 2018 to 1,713MT compared to 1,404MT in 2017 driven by increased capacity. We also focused our marketing attention on brand differentiation, strategic market activations and penetration.

Unfortunately, the 2015 CBN FX policy continued to stall the importation of the necessary raw materials for both Tomato Paste and Vegetable Oil. We continue to remain focused on sourcing both raw materials locally. Towards the end of 2018, we started acquiring Crude Palm Oil (CPO) which will be produced and sold in 2019.

"Gross profit margin achieved was 30.2%; EBITDA margin of 30.8% and PBT margin of 25.0%"

|                           | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|---------------------------|--------------------|--------------------|
| <b>Revenue by Product</b> |                    |                    |
| Salt                      | 20,761,179         | 22,247,384         |
| Seasoning                 | 924,167            | 765,296            |
| Vegetable Oil             | -                  | 192,904            |
| Freight                   | 4,084,006          | 3,858,741          |
| <b>Total Revenue</b>      | <b>25,769,352</b>  | <b>27,064,325</b>  |

Despite the challenging operating environment in 2018 we maintained market share and volumes resulting in total revenue of ₦25.77bn {2017: ₦27.06bn}. Salt revenue decreased by 7% to ₦20.76bn {2017: ₦22.25bn} driven primarily by competitive pricing. Seasoning revenue increased by 21% to ₦0.92bn {2017: ₦0.77bn} and Freight revenue increased by 6% to ₦4.08bn {2017: ₦3.86bn}. Due to lack of raw materials, we had no sales of Vegetable Oil or Tomato Paste in the year.

|                            | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|----------------------------|--------------------|--------------------|
| <b>Cost of Sales</b>       |                    |                    |
| Direct material cost       | 10,660,808         | 10,148,410         |
| Direct labour cost         | 988,472            | 886,686            |
| External haulage           | 3,312,988          | 3,285,123          |
| Depreciation               | 1,695,263          | 1,471,697          |
| Loading                    | 123,883            | 107,438            |
| Manufacturing expenses     | 1,207,249          | 1,170,956          |
| <b>Total Cost of Sales</b> | <b>17,988,663</b>  | <b>17,070,310</b>  |

Combined production efficiency was 77% {2017: 80%}. Salt efficiency in all 3 plants (Oregon, Apapa and Port-Harcourt) increased to 85% {2017: 79%}. Seasoning efficiency decreased to 39% {2017: 96%} as we acquired new equipment in Q2-2018 and increased cubing capacity by 184%. There was no production of Vegetable Oil or Tomato Paste in the year.

2018 Cost of Sales increased by 5% to ₦17.99bn {2017: ₦17.07bn}. The major drivers were direct materials, depreciation and direct labour cost. Direct materials grew by 5% due to increase in FX forwards to an average of ₦338.50/\$1 {2017: ₦326.50/\$1}; increase in crude transfer costs and global freight costs compared to 2017. Depreciation increased by 15% due to new salt refinery, seasoning machines, sales vehicles and generators acquired in the year. Direct labour cost increased by 11% due to performance management appraisals.

Freight cost increase of 1% was due to additional hiring of third party transporters to mitigate the infrastructure challenges in Nigeria and ensure timely delivery of all our products. Loading expenses had a slight increase while Manufacturing expenses increased by 3% driven by energy costs.



## Chief Financial Officer's Review

"The profit before tax was ₦6.45bn which represents a 25% PBT margin"

|                               | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|-------------------------------|--------------------|--------------------|
| <b>Profitability</b>          |                    |                    |
| EBITDA                        | 7,949,455          | 9,354,478          |
| Depreciation and amortization | (1,968,449)        | (1,727,622)        |
| <b>Operating Profit</b>       | <b>5,981,006</b>   | <b>7,626,856</b>   |

Operating profit in 2018 was ₦5.98bn compared to ₦7.63bn in 2017 and operating margin decreased to 23% in 2018 compared to 28% in 2017. We had net exchange gains due to our assets and liabilities denominated in foreign currencies totaling ₦0.99bn {2017: ₦0}.

|   | 31-Dec-17<br>₦'000 | 31-Dec-16<br>₦'000 |
|---|--------------------|--------------------|
| <b>Administrative and Distribution Expenses</b> |                    |                    |
| Distribution costs                              | 828,826            | 604,718            |
| Administrative Expenses                         | 1,868,153          | 1,771,869          |
| <b>Operating Costs</b>                          | <b>2,696,979</b>   | <b>2,376,587</b>   |

Distribution costs increased by 37% due to market activations and branding expenses in line with our robust route to market strategies. Administrative expenses increased by 5% mainly driven by depreciation and employee costs. Employee costs increased due to performance management appraisals.

|                          | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|--------------------------|--------------------|--------------------|
| <b>Investment Income</b> |                    |                    |
| Bank deposits            | 434                | 671                |
| Fixed deposits           | 467,945            | 354,074            |
| <b>Investment Income</b> | <b>468,379</b>     | <b>354,745</b>     |

|                        | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|------------------------|--------------------|--------------------|
| <b>Finance Cost</b>    |                    |                    |
| Interest on borrowings | -                  | 72,113             |
| <b>Finance Cost</b>    | <b>-</b>           | <b>72,113</b>      |

Investment income increased by 32% in 2018 as we continued to invest our surplus funds. There were no finance costs in 2018 compared to ₦0.07bn in 2017.

The profit before tax was ₦6.45bn, compared to ₦7.91bn in 2017, which represents a 18% decrease.

|                                  | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|----------------------------------|--------------------|--------------------|
| <b>Taxation</b>                  |                    |                    |
| Income Tax Expense               | 2,029,168          | 2,565,896          |
| <b>Total Tax (Charge)/Credit</b> | <b>2,029,168</b>   | <b>2,565,896</b>   |

Tax expense for the year decreased by 21% to ₦2.03bn, including a deferred tax expense of ₦0.34bn {2017: ₦2.57bn}. The effective tax rate was 31%.

The profit for the year was ₦4.42bn, a 17% decrease compared with ₦5.34bn in 2017. This resulted in a 17% decrease in earnings per share in 2018 of ₦1.67 compared to ₦2.02 in 2017.

|                               | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|-------------------------------|--------------------|--------------------|
| <b>Financial Position</b>     |                    |                    |
| Property, plant and equipment | 11,705,283         | 9,419,203          |
| Other non-current assets      | -                  | 1,838              |
| Current assets                | 15,977,170         | 11,225,466         |
| Cash and bank                 | 2,587,976          | 9,476,740          |
| <b>Total assets</b>           | <b>30,270,429</b>  | <b>30,123,247</b>  |

## Chief Financial Officer's Review

|                          | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|--------------------------|--------------------|--------------------|
| Non-current liabilities  | 2,249,659          | 1,934,135          |
| Current liabilities      | 16,088,720         | 16,615,330         |
| Debt                     | 38,570             | 38,570             |
| <b>Total liabilities</b> | <b>18,376,949</b>  | <b>18,588,035</b>  |

|                     | 31-Dec-18<br>₦'000 | 31-Dec-17<br>₦'000 |
|---------------------|--------------------|--------------------|
| Share capital       | 1,324,719          | 1,324,719          |
| Share premium       | 434,037            | 434,037            |
| Retained earnings   | 10,134,724         | 9,776,456          |
| <b>Total equity</b> | <b>11,893,480</b>  | <b>11,535,212</b>  |

Total assets remained flat year on year with ₦30.27bn {2017: ₦30.12bn}. Total liabilities decreased by 1% to ₦18.38bn {2017: ₦18.59bn} mainly due to trade and other payables.

Capital expenditure decreased by 8% to ₦4.43bn {2017: ₦4.82bn} as we acquired new salt refineries, seasoning machines, sales vehicles and generators. These were purchased to optimize capacity and guarantee superior products effectively and efficiently. Inventories as of the end of the year increased by 45% to ₦4.37bn {2017: ₦3.02bn} mainly due to the purchase of Crude Palm Oil (CPO), the raw material required for the Vegetable Oil refinery. Cash and bank in 2018 was ₦2.59bn, a 73% decrease on last year {2017: ₦9.48bn} mainly due to dividend, intercompany and tax payment in the year.

### Recommended dividend

On Thursday 21st of March, 2019, the Directors proposed a dividend of ₦1.00 per share {2017: ₦1.50} to be paid to shareholders on Monday 17th of June, 2019. The dividend represents a payout ratio of 60% {2017: 74%} reduced due to capital expenditure requirements in 2019. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting on Thursday 13th of June, 2019. If approved, the total amount payable will be ₦2.65bn {2017: ₦3.97bn}. The dividend will be payable to all shareholders whose names appear in the company's Registrar of Members at close of business on Thursday 30th of May, 2019.

### Approval of Financial Statements

In compliance with the Regulatory requirement in Nigeria, the Consolidated and Separate Statements of Financial Position as at 31st December, 2018 have been signed by NASCON Allied Industries Plc's Finance Controller, Tunde Iwamofe, who is a Registered Member of a Nigerian Professional Accountancy Institute.

### Going Concern

The Directors continue to apply the Going Concern principle in the preparations of the financial statements. After considering the liquidity position and the availability of resources, the Directors concluded that there are no significant threats to the Company's Going Concern capabilities. The Directors believe that the current working capital is sufficient for the operations and the Company generates sufficient cash flows to fund its operations.



**Aderemi Saka**  
Chief Financial Officer





## Management Team



**Paul Farrer**  
Managing Director

Paul joined NASCON as Managing Director in 2015, having previously been the Chief Operating Officer and Group Executive Director of Food Concepts Plc.

His experience in the foods business spans 22 years in the South and West African markets; in international companies such as TGI Fridays (Americana Group), Steers Holdings – Debonairs Pizza, Famous Brands and Innscor International.

He is an alumnus of East London Technical College, South Africa.



**Fatima Aliko-Dangote**  
Executive Director,  
Commercial

Fatima joined the Dangote Group in 2014 as the Special Assistant to the Managing Director-Cement and later worked as a Group Corporate Strategy Specialist. In this latter role, she provided planning and analytical support across all the Business Units of the Dangote Group.

She holds a Bachelor's degree in Law from the University of Surrey in the UK. Fatima has been called to the Nigerian Bar, and has worked as an Associate at Banwo and Ighodalo Legal Chambers, on areas related to capital markets, intellectual property and energy.



**Aderemi Saka**  
Chief Financial Officer

Aderemi has 19 years of experience working in the United States with various multinationals and publicly traded corporations. Prior to joining NASCON as CFO, Aderemi was part of the Group Corporate Strategy team at Dangote Industries Limited.

She has a Bachelor's Degree in Accounting and a Masters in Business Administration (International Business) from Georgia State University, USA.

She has experience in financial analysis, planning, budgeting, forecasting, operational and financial risk management, regulatory controls, internal audit, financial strategy, modeling, and program management.



**Murtala Zubair**  
Head, Human Resources  
and Administration

Murtala is a trained HR practitioner having obtained a Bachelor of Science degree in Economics and a Masters of Business Administration (MBA) from the Bayero University, Kano and Ahmadu Bello University respectively. He joined Dangote Industries Limited in year 2002 and later reassigned to Dangote Sugar Refinery Plc in year 2009 as the Head, Human Resources/Admin.

Prior to joining the Group he worked at the Bank of Agriculture, Financial Institutions Training Centre (FITC) and Liberty Bank Ltd.

He is an active member of the Chartered Institute of Personnel Management of Nigeria (CIPMN).

## Management Team



**Gerhard Scheepers**  
Head, Operations

Gerhard began his career in factory operations for Bidbake South Africa rising to become the Managing Director and later Group Operations Director. His immediate past leadership roles include Group Operations Director for Trimark Industries and Director of Operations at Orbiline Pty SA.

He has decades of experience across sales, sales force management, production management, operational financial management and driving operational efficiency for growth.



**Olushola Shosanya**  
Head, Sales

Shola has decades of experience in sales management, sales force management and warehousing. He is also a Sales trainer. He started his career in Nigerian Bottling Company, where he received both local and international trainings on sales management and trade activations

He joined NASCON in 2016 having previously worked at 3D Impact Marketing as a Marketing consultant and holds a Bachelor's degree in Animal Science from Obafemi Awolowo University and Post Graduate Diploma in Marketing from the University of Lagos.



**Olusegun Ajala**  
Head, Marketing

Olusegun is a marketing professional with over 12 years' cognate experience in experiential marketing, consumer marketing, trade channel development, category management, shopper marketing, new product development, public relations, events and sponsorship.

He joined NASCON in 2016 having previously worked at Nigeria Bottling Company. He has a Bachelor's degree in Pure and Applied Chemistry from Ladoke Akintola University of Technology and Master's degree in Marketing and Management from the University of Bradford, UK. He is a fellow of the National Institute of Marketing of Nigeria, and an affiliate member of the Chartered Institute of Marketing UK.



**Shalom Okonmah**  
Head, Procurement

Shalom has 20 years of work experience spanning sales, finance, treasury, procurement, international trade and importation. She holds an Accounting degree from Edo State University and a Masters in Business Administration from the University of Calabar.

She started her career with Dangote Group as an Executive Officer in 1997 before moving to Dangote Agrosacks Limited, where she rose to the position of Head Treasury, Procurement and Clearing.

She is also a member Chartered Institute of Purchasing and Supply Chain Management and Chartered Institute of Cost Management.



## Management Team



**Patrick Mogaha**  
Head, Internal Audit

Patrick began his audit career as a Financial Auditor with First Bank of Nigeria PLC and has over 19 years of experience in Internal Audit, Information Systems Audit and Fraud & Forensic Audit. Prior to joining NASCON, he was the Deputy Head of Audit for Dangote Cement.

Patrick is a Fellow of the Institute of Chartered Accountants of Nigeria, Certified Fraud Examiner, Certified Forensic Accountant, Certified Information Systems Auditor and a former member of Committee of Chief Inspectors of Banks in Nigeria. He holds a Bachelor degree in Accounting and a MBA in Banking and Finance from ESUT Business School, Enugu.



**Nura Shuaibu**  
Head, Projects

Nura is a Mechanical Engineer with a degree from Ahmadu Bello University, Zaria. Prior to joining NASCON, he worked with the Ministry of Works and Housing, Kano as trainee Engineer and Gaskiya Textile Mills as Assistant Mechanical Engineer.

He joined the Company in 1997 as a pioneer staff and has worked in various functions with increasing responsibility including maintenance manager, plant manager and project manager.



**Tunde Iwamofe**  
Financial Controller

Tunde has over 10 years of experience in financial reporting, analysis, planning, budgeting, forecasting, internal audit, tax planning and computation. Prior to joining NASCON in 2008, He was the Account Manager for Somotex Nigeria Limited a member of the Mohinani Group of Companies. He is a Fellow of the Institute of Chartered Accountants of Nigeria and a Certified Change Manager.



**Ayokunle Ushie**  
Head, Risk Management

Ayokunle was Corporate Finance and Risk Management practitioner with a number of local and international banks

He joined the Dangote Group Risk Management Department in 2016 and subsequently Nascon Allied Industries in 2018. Ayokunle has a Bachelor's Degree in Geography from the University of Ilorin and a Masters in Business Administration from the University of Nicosia, Cyprus. He is a member of the Institute of Operational Risk (IOR) and an Alumni of the Risk Certification Program of the Global Association of Risk Professionals (GARP). Ayokunle's core experiences are within data mapping, risk modeling (Operational, Credit and Market), estimated loss projections and engineering risk surveys.



**Jude Amaechi**  
Head, Health Safety and Environment

Jude joined NASCON in 2017 with over 12 years of valuable experience. Prior to NASCON, he was a HSE Coordinator at Ponticelli Nigeria Limited.

He has a Bachelor's degree in Soil Science and Technology and a Master's degree in Soil Survey and Land Use Planning from Federal University of Technology, Owerri. He is a certified HSE professional from National Examination Board of Occupational Safety and Health UK, Occupational Safety and Health Academy USA, ISO 9001: Quality Management System UK, He is a member of the Institute of Safety Professionals of Nigeria and Nigeria Institute of Chartered Management.



**Adedayo Samuel**  
Company Secretary

Adedayo was the pioneer Company Secretary of NASCON when the Company was privatized by the Federal Government. He was responsible for taking the Company to the Nigerian Stock Exchange upon privatization in 1992.

He has extensive and varied experience in Corporate Governance, broad exposure in litigation and in the Judiciary where he had served as a Chief Magistrate. He obtained his LLB degree from the then University of Ife and was called to the bar over three decades ago.

## Management Team



## Human Resources Report

“Continuous quality learning and human capital development have become critical success factors for our organization.”



### Human Resource Management

Our efforts were centered around developing a dynamic, multi-skilled and robust workforce capable of meeting the organization's current and future needs. We are consistently reviewing and modifying our processes and policies to align with the overall company goals.

### Manpower and Recruitment

During the year under review, we consolidated some of the HR initiatives to reinforce our commitment to providing superior services to our customers and ensuring better results for our stakeholders.

Employees were recruited during the year after going through a process of ensuring that the right caliber of staff are engaged as we worked towards boosting our staff strength and increasing productivity. We at NASCON, offer equal opportunity of employment. The recruitment of additional management staff aimed to improve decision-making in the organization and enhance the quality of our work.

### Career Development and Succession Plan

Our efforts to ensure sustainability in the business led to the commencement of a developmental program created to identify competencies that will result in succession mapping in each department.

The first phase was to identify and document critical roles in the business with the incumbents and their successors where available. The second phase was to create a talent development plan for the successors identified to address skills gaps and readiness levels.

### Learning and Development

As new technologies emerge, continuous quality learning and human capital development have become a critical success factor for our organization.

Therefore, we identified various training needs for our staff and made efforts at addressing these needs accordingly.

During the year under review, we created opportunities for every staff to meet the required mandatory training hours in line with our training policy and encouraged them to take learning and development as a personal responsibility.

Employees across all the departments were made to undergo different training programmes. These courses include:

- Mandatory Continuing Professional Education (MCPE) organized jointly by the professional bodies and the academy.
- Leadership and Supervisory skill programme

## Human Resources Report

- Production and Maintenance
- Sales and Marketing
- Health, Safety and Environment
- Customer service
- Finance and Accounting
- Human Resources and Administration
- Information Technology
- Sustainability Workshops
- Dangote Women Workshops

Approximately 1000 employees were nominated for training. The Dangote Academy trained about 600 while the remaining 400 were trained in-house in line with the in-plant development training strategy.

In addition, the truck drivers from our fleet unit underwent series of training courses ranging from defensive driving, accident prevention and road safety.

### Staff Performance and reward

The annual performance appraisal outcome was fully implemented. The deserving employees were rewarded by promotion, salary increases and performance bonuses accordingly. We believe this will continue to motivate the staff to do more.

### Long Service Awards

A total of 130 employees were recognized and appreciated for their longtime contribution, loyalty, and dedication to

NASCON. The long Service award ceremony took place to celebrate the following staff

- 3 employees for 25 years;
- 2 employees for 20 years;
- 52 employees for 15 years; and
- 73 employees for 10 years of service.

### Employee Engagement

We employed different means of engaging our people to keep them abreast of the company's performance and also to bridge the communication gap between the company and employees.

### The Future of our people.

We foresee a future where NASCON and its people work in a conducive and dynamic environment that ensures continuous learning, upgrading of skills and processes to improve organization efficiency. An environment where people work together in the overall interest of the organization.

*M. Zubair*

**Murtala Zubair**

Head Human Resources and Administration





## Risk Management Report

*"We continue to assume a proactive approach to managing risks within our dynamic business environment."*



The Board and Management of NASCON Allied Industries recognize the importance of sound risk management in every aspect of its business activities, and as it relates to all its stakeholders. For our customers, we provide the security of knowing that all our products and services are developed and executed after detailed assessments; for our shareholders, we protect and enhance the value of their investment. At NASCON, our Risk Management Framework does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value.

### Our Approach to Managing Risk

In line with the Risk Management framework, we have adopted a robust process that provides enough information, capability and tools to manage our key risks. Qualitative and quantitative tools deployed to manage this process effectively include close monitoring of Credit Risk exposures, conduct of Risk and Control Self-Assessments, collation, monitoring of approved Key Risk Indicators and timely Loss Incident Reporting and adequate Insurance cover. These initiatives are supplemented with ad-hoc, on-site assessments or incident assessments when unexpected high risks are envisaged or occur.

To this end, the following key processes were deployed to identify, quantify, manage and monitor NASCON's key risk exposures in 2018.

**Risk Identification:** We believe that effective risk management starts with everyone. To ensure greater efficiency, risk identification has been embedded in our business process planning, change procedures, and development of new product lines or attempts to take on new markets. Risk identification is inherently an on-going process. To aid proper risk classification, all risks must be assigned into one of the these four risk types:

| Risk Type                  | Definition   |
|----------------------------|--|
| <b>Business Continuity</b> | The potential that a prolonged business disruption affects critical business activities of NASCON and thus causes loss of business and/or reputational damage.                                       |
| <b>Operational Risk</b>    | The potential for risk exposures arising from the failure of people, processes, or technology or the impact of external events to crystallize and result in financial losses or reputational damage. |

## Risk Management Report

|                                    |   |
|------------------------------------|---|
| <b>Financial Risk</b>              | Any potential loss(es) arising from financial risks such as counterparty defaults, adverse market price movements, liquidity (funding) issues and taxation issues.                                |
| <b>Business and Strategic Risk</b> | Any potential damage to the franchise and loss of earnings resulting from any faulty or improper implementation of NASCON's strategic plan or adverse impact of competitors' business activities. |

**Risk Analysis:** The process commences when a risk exposure has been identified. Appropriate analysis is carried out and relevant stakeholders notified of points of failure requiring further analysis or risk evaluation. What constitutes appropriate analysis will vary by risk type and policies. For instance, for credit risk, financial analysis of the counterparty (customer receiving credit, bank providing guarantee, owner of company), analysis of the structure of the transaction, and likely movements in exposure would be required to assess the risk.

**Risk Evaluation:** After risk exposures have been identified and analyzed, proper evaluation of its impact to NASCON whether financial or non-financial is undertaken. In determining the degree of impact, or size of risk exposure, the potential severity and likelihood of occurrence is ascertained using an impact-frequency measurement chart defined in the Risk Management framework. Management information systems are in place to allow the risk information to be used by those managing risk and business on a day-to-day basis, and at a suitably aggregated level, for senior management to understand and challenge process owners. Management information presented to senior management enables the identification of high-risk exposures, risk concentrations and holistic risk remediation to be agreed on.

**Risk Treatment:** Upon evaluation of identified risks, agreed controls are implemented to ensure that related business activities are operated and managed within NASCON's risk appetite. Controls usually take the form of setting of operational or transaction limits, business process re-engineering, insurance coverage, outsourcing, segregation of duties, or any other measure that would

deliver the desired risk treatment whether it be risk minimization, risk elimination, risk avoidance or risk sharing.

**Risk Monitoring:** At NASCON, to aid the effective monitoring of our risk exposures, we have instituted fit-for-purpose tools and methodologies that would enable proper tracking of control implementation, measure adequacy of control in managing identified risk and correlated risk factors, and the likelihood of new risks emerging after treatment of identified risks. Our Key Risk Indicator Dashboard is very robust and has well defined quantitative parameters that enable these levels of monitoring.

### Risk Management Process



**Risk Reporting:** The Risk Management Department ensures proper conduct of all risk management processes and ensures timely and accurate reporting of observed risk trends and evaluated risk exposures to all key stakeholders. By so doing, it provides independent and transparent accounts of risk events, related measurements, required treatments and risk escalation to the Board where necessary. Key requirements for risk reporting include:

- Data Compilation and Review: Collation, analysis and evaluation of risk data from all stakeholders in the organization;
- Information Dissemination: Provide financial data, and information on operational and business activities from a risk perspective for regulatory, external, and internal reporting;

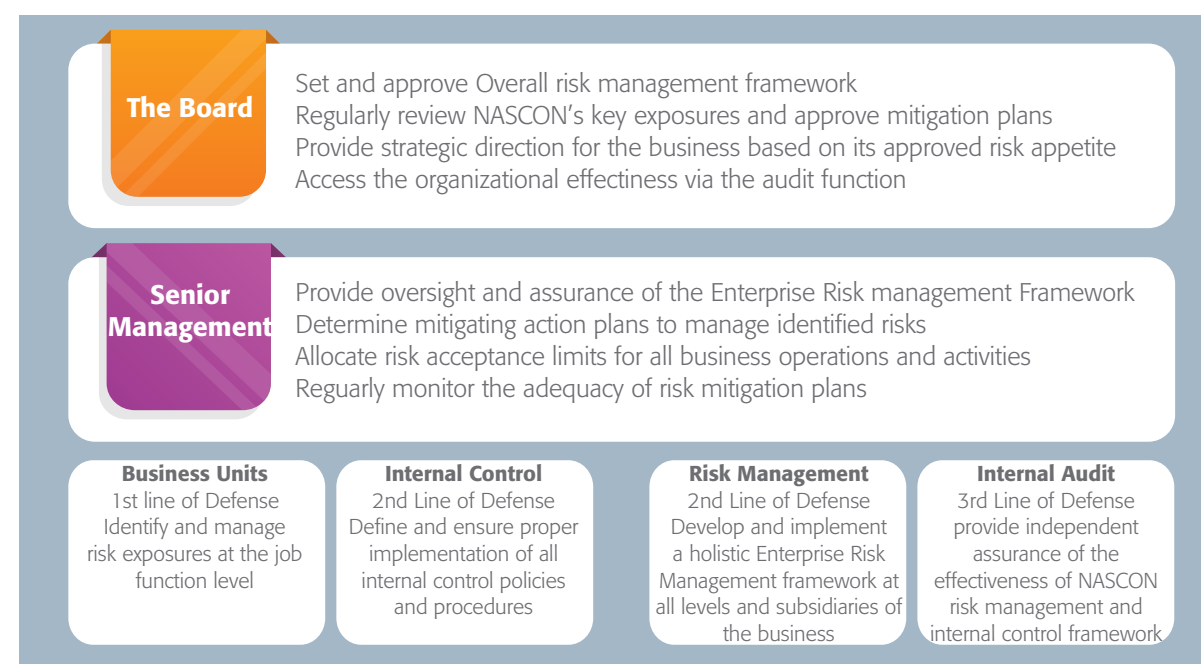


## Risk Management Report

- Risk Advisory on:
  - Appropriate risk calculation and prioritization methodology to adopt for financial risks
  - Other risk measurement methodologies to deploy for measuring and appropriating non-financial risks
- Stakeholder Engagement: Accurate and timely dissemination of key threats to achieving set business objectives, business opportunities unearth after review of these threats and mitigation plans to adequately manage the impact of identified threats to ensure risk ownership and accountability is built at all levels in NASCON.

### The NASCON Accountability Matrix

Our approach to ensuring effective risk management accountability is a commonly used methodology for managing risk – The 3 Lines of Defense. The objective of the three lines of defense is to ensure that an independent system of checks and balances is in place to minimize unexpected losses (financial or otherwise). This is achieved by clearly defining roles and responsibilities for the management of risk between All staff of NASCON, Risk Management and Internal Control functions, with each of these working together but ultimately operating independently from each other.



### Our Focus in 2018

At NASCON, the satisfaction of our customers is integral to achieving our business objectives making risk management a necessary and intrinsic part of how we carry out business. We accept the risks we can manage that in some situations results in the management of these threats or risk exposures giving us a competitive advantage. Where that is not the case, we put in place measures to mitigate or avoid risk exposures. For this reason, we have implemented a robust risk management system that conforms with our business operating model and ensures continued business development and achievement of our set objectives.

We review our principal risks regularly because we work in a dynamic and competitive environment where new risks constantly arise whilst previously identified low risk exposures may evolve to high risk exposures that crystalize in significant financial losses or reputational damage. Furthermore, the Board of NASCON needs reasonable assurance that its risk management and reporting systems remain sound, so strict risk governance is upheld with the development and implementation of a bouquet of risk management policies and procedures that ensures a healthy risk-reward balance for all stakeholders. These controls were designed to ensure a good balance between cost and effectiveness is always struck.

## Risk Management Report

In 2018, we focused on an end-to-end practical approach to managing our risk exposures from the point of inbound supply to distribution to our customers, whilst constantly improving stakeholder engagement across all value chains. Our key focus areas for the year included but were not limited to the following:

- Expanding the scope of our risk assessments to include third party and supplier risk assessments;
- Strengthening our response to fire risks;
- Reinforcing our crisis management preparedness at all our locations; and
- Reviewing various facets of our logistics planning and fleet management which culminated in better customer service delivery and driving practices of our drivers.



Feedback from these assessments have informed some activities going forward; these include:

- Continuous review of all third party suppliers and contractors to ensure quality and timely delivery is maintained;
- Continuous enhancement of NASCON's Business Continuity Management framework to ensure political exposures are accounted for and addressed; and
- Further strengthening of NASCON's holistic control landscape leveraging on building synergies within all control functions to ensure the achievement of agreed corporate objectives.

### Risk Management Outlook for 2019

The International Monetary Fund (IMF) anticipates continuous growth for commodity exporters in emerging and developing economies for 2019 based on the upward drive of commodity prices. However, rising trade barriers, reversal of capital flows, increased monetary policy tightening and high political risks remain major downside risks.

Despite the challenges the aforementioned issues portend to relevant business environments, NASCON is committed to increasing its capacity in terms of production, service delivery, distribution network, and product offering expansion.

Our core business risk exposures include foreign exchange volatility, interest rate unpredictability and threat of illiquidity. To ensure risk monitoring of these exposures, eight principal risks that could have an impact on NASCON have been defined and appropriate mitigation plans put in place.

| S/N | Risks                             | Risk Description   | Potential Impact  | Mitigation Plan  |
|-----|-----------------------------------|--|---|--|
| 1   | Possible Devaluation of The Naira | Inability of the Central Bank of Nigeria to continually defend the Naira against the USD   | Devaluation would negatively impact profitability and asset quality                   | <ul style="list-style-type: none"> <li>• Maintain all loans in local currency</li> <li>• Explore more options for increasing FX revenue</li> </ul>         |
| 2   | Political Risk Exposures          | Political instability resulting from post-election resolutions, activities of insurgents in the North East and Niger Delta regions | Possible disruption of production in Port-Harcourt and distribution of finished goods | <ul style="list-style-type: none"> <li>• Regular review of Business Interruption and GIT Cover</li> <li>• Regular review of distribution routes</li> </ul> |
| 3   | Macro-Economic Risks              | Possibility that the Nigerian economy would fall back into recession   | Renewed downturn would have negative effects on disposable income of consumers        | Continuous review of costs to ensure the ability to absorb market fluctuations   |





## Risk Management Report

| S/N | Risks   | Risk Description   | Potential Impact   | Mitigation Plan   |
|-----|---|--|--|---|
| 4   | Poor Market Growth                            | New businesses and proposed expansion do not hold their growth prospect or develop as predicted.   | Negative impact on revenues, cash flows and profitability sustainability   | <ul style="list-style-type: none"> <li>• Ensure regular portfolio financial and opportunities reviews to monitor investment and cash allocation across all businesses</li> <li>• Target market leadership in all prime markets</li> <li>• Focus on industries where reach is strong</li> </ul>  |
| 5   | Loss of Market Share                          | Change in the business dynamic, whereby a competitor's product may lead to loss of competitive advantage                                   | <ul style="list-style-type: none"> <li>• Negative impact on revenues, cash flows and sustainable profitability</li> <li>• Inefficient distribution of physical, human and financial resources</li> </ul>   | <ul style="list-style-type: none"> <li>• Leverage on customer feedback, balance short-term improvements with longer-term solutions</li> <li>• Promote agility, benchmarking and quick market responses</li> </ul>   |
| 6   | Decline in Product Quality & Service Delivery | Technical requirements becoming more complex, and demanding with increase in customer base and preferred specifications                    | <ul style="list-style-type: none"> <li>• Potential reputational damage</li> <li>• Loss of market share</li> </ul>  | <ul style="list-style-type: none"> <li>• Continuous review and stress testing of refining process</li> <li>• Continuous customer engagement to ensure feedback is acknowledged and addressed</li> </ul>   |
| 7   | Inability to Retain Best Talent               | Inability to retain and motivate the best people with the right skills, at all levels of the organization due to activities of competition | <ul style="list-style-type: none"> <li>• Inability to attract, develop and retain highly qualified management and suitably skilled employees, particularly to address our expansion initiatives</li> <li>• Shortage of appropriately skilled manpower</li> </ul> | <ul style="list-style-type: none"> <li>• Established robust training, development, performance and rewards management programmes to retain, develop and motivate our people</li> <li>• Develop a Succession plan for senior management positions</li> </ul>   |
| 8   | Health, Safety & Environment (HSE) Risk       | Exposures resulting from unsafe acts both within and outside the premises  | <ul style="list-style-type: none"> <li>• Increased insurance premiums</li> <li>• Increased legal risk exposure</li> <li>• Declining public perception</li> </ul>   | <ul style="list-style-type: none"> <li>• NASCON has instituted policies, procedures and standards for ensuring compliance with Health, Safety &amp; Environment global best practices, and relevant local and global legal obligations or industry standards</li> <li>• All Management meetings feature HSE status reviews</li> <li>• HSE Performance indicators have been defined, are closely tracked and analyzed for operations of the organization.</li> </ul> |

*Kunle Ushie*

**Ayokunle Ushie**

Head, Risk Management

# Meals taste better with





## Health, Safety and Environment Report

**“We believe that a safe and healthy workplace is a fundamental right of every employee and a business imperative.”**



### INTRODUCTION

This annual HSE performance report provides a comprehensive overview of NASCON's commitment to the health and safety of employees, contractors, visitors, and the environment. Its emphasis is on the performance of the organization based on set objectives, Health Safety, and Environment Management System (HSE-MS) and applicable laws. The report covers data reported from the Oregun, Apapa, Ota and Port-Harcourt plants.

NASCON recognizes the importance of Occupational Health, Safety and Environment (OHSE) and is committed to maintaining excellent standards to make the workplace safe and healthy for all employees and contractors. Our safety slogan for the year was 'Safety starts with me, you and all!' An inclusive policy that applies to all staff, work sites and projects. The aim is to make people more aware of workplace safety and by integrating OHSE into normal operations, we hope to achieve our corporate goal.

Deeply enshrined in our OHSE policies, procedures, standards, and operations is the fundamental principle of "Goal Zero" and everyone must strictly adhere to its golden rules. These rules are applied fairly but firmly, and violations could lead to dismissal from site or other disciplinary actions.

As a leading player in the FMCG industry, our goal is to meet the needs of our partners, stakeholders, and employees. We aim to consolidate our comparative advantage and increase production without compromising the safety of People, Asset, Environment, and Reputation (PAER).

### Corporate OHSE Policy

We believe that a safe and healthy workplace is a fundamental right of every employee and is imperative to our business. Our OHSE Policy summarized in the Duty of Care obligates us to take full responsibility for training proactive employees that will invariably create and maintain a safe workplace in every sphere of the organization by doing all that we can to reduce the risk of accidents, injury and exposure to health hazards for all of our stakeholders.

### Corporate Strategy

NASCON aims at establishing a world class safety system that is evident in the behavior and culture of our workers and the way we are perceived. We recognize the importance of safeguarding the health and safety of our workforce and aim to create a workplace that is the safest working environment amongst our peers. The target is to eliminate all causes of injuries and accidents to our

## Health, Safety and Environment Report

employees, contractors, visitors, host communities and uphold our brand reputation. This culture shall reflect in our incident and accident records, reduce loss time frequency and increase revenue.

To monitor the progress of our OHSE performance we have introduced a realistic key performance indicator monitoring program. In the adoption of these indicators, the following factors were taken into consideration; our core values, stakeholder expectations and our target of eliminating environmental hazards. We are collectively working proactively to improve on our systems and execution.

### Corporate Objective

We recognize the importance of safeguarding the health and safety of our workforce and aim to create a workplace that is the safest working environment amongst our peers. The target is to eliminate all causes of injuries and accidents to our employees, contractors, visitors, host communities and uphold our brand reputation.

To achieve these, we introduced a more robust approach to monitoring operations (Safety standards, policies to guard and guide our employees, visitors, contractors and members of the public). However, we acknowledge some weaknesses in our systems, which we are collectively working proactively to improve on our systems and execution. Most importantly, we have equally taken steps

in our safety system of work to prevent any exposures that could impact our people, environment, asset and reputation.

At NASCON, we believe that all hazards can be prevented from being released and leading to accidents whilst working. Therefore, training (internal and external) is conducted to improve the capabilities of workers, understand safety alerts, safety inspections, safety committee meetings, safety inspection and regular reviews of our processes and standards.

### Safety Training

Occupational Safety and Health training is a key theme of our engagement process with our workforce, in terms of building capabilities, technical governance and policy. Our safety strategy in NASCON encompasses safe and healthy workplace conditions and behavioral drills to ensure the adoption of appropriate culture. We are constantly engaged in various training exercises and capability building sessions across our business. We also provide safety training to our employees using training requirements defined by gap analysis carried out for each staff as well as applicable best practice requirements. The training covers the induction of newly hired staff and periodic refresher training for all employees and contract workers in the company.





## Health, Safety and Environment Report

### Transport Operations

The fleet operation is a critical operation within the NASCON business value chain. This is as a result of the role the transport operations play in ensuring the finished products are delivered to the customer. Due to the frequency of trips made and inherent hazards present on the journey routes, we have implemented, a working system to monitor our fleet and truck operations. Our journey management plan (JMP) is designed to ensure safety in the transport operations and to reduce the causes, frequency and rate at which accidents could occur. To further prevent accidents, we conduct daily pre-journey safety briefings for drivers, pre and post trip truck checks. We also organize external and internal trainings such as defensive driving training for drivers and their assistants. Furthermore, we collaborate with the Federal Road Safety Commission quarterly to recertify our fleet (trucks and drivers) in accordance with safety standards and compliance to the laws governing fleet operations in Nigeria.

### Environmental Safety

We are committed to environmental sustainability goals which are in line with the Global Sustainable Developmental Goals (SDGs). The pillars include financial sustainability, institutional sustainability, economic sustainability, operational sustainability, social sustainability, environmental sustainability and cultural sustainability, and are all geared towards supporting and developing local content (Homemade). 'Homemade' gives priority and opportunities to local and indigenous organizations, enables skilled and unskilled personnel thrive within our business space whilst it adds value to our host communities. This is the reason NASCON holds the cultural sustainability pillar as a corner stone of our business, services and operations. This cultural pillar also gives room for enculturation, inclusivity, egalitarianism, meritocracy, respect and over and above all integrity. We also conduct Environmental Evaluation Study (EES), Environmental Impact Assessment (EIA) or Environmental Audit Report (EAR) of all our operations and on any land and property acquired. NASCON tries everything within our space and the extent of the law to ensure that safety, health and the environment of our host communities are not jeopardized, taking into consideration the potential hazards that could arise during operations and minimizing the environmental risks to as Low As Reasonably

Practicable (ALARP). As part of our CSR, we embarked on a host community sensitization program and educating them in their schools about environmental management system (reduce, reuse and recycle) of waste. We have also incorporated indigenes of our host community in employment schemes and contract awards.

Furthermore, we have engaged an indigenous plastic waste cycling company to manage all our internally generated plastic waste and contracted the state government environmental approved agencies to manage all domestic generated waste. These are all aimed towards reducing the causes of climate change which is one of the major contributing factors to global warming.

We are continually engaging with our team, building systems and processes to eliminate high risk activities within our communities. We encourage line managers to take full responsibility of the entire team, rather than making it the responsibility of the OHSE team.

### Worker's physical exercise

Our workers state of health is of utmost importance to our management team, In Port Harcourt we have implemented a weekly exercise program. Regular exercise increases energy levels and mental stimulation which positively impacts work-output throughout the day. Studies show that 46% of adults, their main cause of stress is workload. Physical exercise is of priority in alleviating stress amongst workers in the workplace. Above all, it keeps workers healthy.

### Our OHSE Performance Data and Reporting.

#### 2018 Safety Record

In the year under review, the company made strides in improving our safety culture to ensure workplace safety by assessing the causal effects of major injuries and incidents. Results from these assessments provided justification for remedial actions implemented to ensure the improvement of general safety culture within NASCON. The information gathered is reported monthly and quarterly basis to the Executive and Board respectively for performance evaluation and in compliance with corporate governance.

The total man-hours achieved in the year 2018 was 4,424,406.

## Health, Safety and Environment Report

### 2018 HIGHLIGHTS

Some key achievements include:

- Completion of new Port Harcourt office complex without any LTI recorded
- Capacity building training for fleet management team and HSE team on fleet and journey management plan.
- Improved incident reporting techniques and hazard identification by workers
- Increased commitment to HSE by participation in weekly pep talks and other HSE activities
- Improved workers' compliance to use of PPE
- Forklift operator safety training and equipment certification
- Risk based in-house trainings for targeted departments and safety marshals.
- Quarterly Site HSE meeting agenda was revamped to improve interaction, communication and understanding
- Adoption of weekly physical exercise sessions
- Improved safety awareness of personnel through the training of our Golden rules.
- Management of waste with international best practices (Recycling)
- Improve fleet safety standards and truck drivers retraining and recertification in collaboration with Federal Road Safety Commission (FRSC)
- FRSC award for best safety compliant haulage / transport company in Nigeria 2018

### 2019 IMPROVEMENT PLANS

- Ensure 100% PPE compliance for employees and contractors
- Implement internal campaigns aimed at increasing the rate of near miss reporting within the plants
- Organize more in-house trainings for safety marshals and team members to improve our safety culture
- Introduction of Health moments in all safety meetings.
- Weekly release of safety series
- Timely close- out of all HSE observations made

### CONCLUSION

NASCON has maintained strong performance in health, safety and environment which has improved significantly through the years. The HSE department would like to thank all employees, contractors and senior management for their unrelenting support. We will continue to work hard to ensure the safety of all Stakeholders, and will keep striving to protect the environment.

Finally, we will continue to comply with all local laws and regulations, while working to improve our standards, as well as those who work alongside us.



**Jude Amaechi**

Head, Health, Safety and Environment







# CORPORATE GOVERNANCE





## Corporate Governance Report

“NASCON’s business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.”



### General information

NASCON Allied Industries Plc is committed to best practice and procedures in corporate governance. The corporate governance practices are constantly under review, in line with dynamics of the business environment. There was considerable focus on the company's corporate governance practices especially at the Board level during the year.

The Corporate Governance policies adopted by the Board of Directors are designed to ensure that the Company's business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.

### Compliance

NASCON is committed to compliance with the requirements of the Nigerian corporate governance regulations, which include but are not limited to the Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria and the Companies and Allied Matters Act.

### Board of Directors

The Board delegates the day-to-day running of the Company's affairs to the Managing Director supported in this task by an Executive Management Committee. The Board of Directors consists of ten (10) members;

the Chairperson, two (2) Executive Directors and seven (7) Non-Executive Directors out of which two (2) are Independent. They are:

|                         |                      |
|-------------------------|----------------------|
| Yemisi Ayeni            | Chairperson          |
| Paul Farrer             | Executive Director   |
| Fatima Aliko-Dangote    | Executive Director   |
| Olakunle Alake          | Director             |
| Halima Aliko-Dangote    | Director             |
| Abdu Dantata            | Director             |
| Sada Ladan-Baki         | Director             |
| Chris Ogbechie          | Independent Director |
| Knut Ulvmoen            | Director             |
| Fatima Wali-Abdurrahman | Independent Director |

### Responsibilities of the Board of Directors

It is the responsibility of the Board of NASCON Allied Industries Plc to:

- Ensure integrity of the Company's financial and internal control policies.
- Ensure the accurate, adequate and timely rendition of statutory returns and financial reporting to the regulatory authorities (Nigerian Stock Exchange, Corporate Affairs Commission, Securities and Exchange Commission) and shareholders.
- Ensure value creation for shareholders, employees and other stakeholders.

## Corporate Governance Report

- Review and approve corporate policies, strategy, annual budget and business plan
- Monitor implementation of policies and the strategic direction of the Company.
- Set performance objectives, monitor implementation and corporate performance.
- Review and approve all major capital expenditure of the Company.
- Ensure that the statutory rights of shareholders are protected at all times.

### Meeting of the Board of Directors

The Board of Directors holds several meetings in the year to consider important corporate events and actions such as approval of corporate strategy, annual corporate plan, review of internal risk management and control systems, review performance and direct the affairs of the Company, its operations, finance and formulate growth strategies.

### Record of Directors' meetings

Attendance at Directors' meetings is impressive. In line with provisions of Section 258(2) of the Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004, the record of Directors attendance at Board meetings is available for inspection at the Annual General Meeting.

### Board meeting attendance:

The Committee held seven (7) meetings in 2018

|                         |     |
|-------------------------|-----|
| Yemisi Ayeni            | 7/7 |
| Paul Farrer             | 7/7 |
| Fatima Aliko-Dangote    | 7/7 |
| Olakunle Alake          | 7/7 |
| Halima Aliko-Dangote    | 6/7 |
| Abdu Dantata            | 7/7 |
| Sada Ladan-Baki*        | 4/7 |
| Chris Ogbechie          | 6/7 |
| Knut Ulvmoen            | 7/7 |
| Fatima Wali-Abdurrahman | 6/7 |

\*Sada Ladan-Baki was on approved work assignment with a related party company.

### Key activities of the Board:

- The board carried out an extensive review of the company's short and long term strategy, culminating in a detailed strategic plan.
- Consideration of the reports of the Board Committees with recommendations for approval.
- The Board considered the quarterly unaudited financial reports and audited full year reports and

proposed a dividend.

- Financing requirements for rehabilitation and full automation of the salt refinery.
- Operational performance, marketing strategy and report on business and projects.
- Risk Management objectives and implementation.

### Board Committees

The Board delegated some of its responsibilities to standing committees that consists of Executive Directors and Non-Executive Directors. These are the Establishment and General Purpose and Finance, Risk and Audit Committees. The Committees report to the Board of Directors on their activities and decisions which are ratified by the full Board, at a meeting.

In compliance with the practices of good corporate governance, the Chairperson of the Board is not a member of either of these committees.

### The Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee is responsible for monitoring the integrity of the financial statements of the Company. It also assesses and monitors all risks associated with the operations of the Company, developing and monitoring the implementation of Internal Control System, by Management. The Committee assists the Board in its responsibility relating to the oversight of the Company's financial credit and risk management policies and procedures.

The Committee is comprised of seven (7) Directors:

|                      |          |
|----------------------|----------|
| Chris Ogbechie       | Chairman |
| Paul Farrer          | Member   |
| Fatima Aliko-Dangote | Member   |
| Olakunle Alake       | Member   |
| Halima Aliko-Dangote | Member   |
| Abdu Dantata         | Member   |
| Sada Ladan-Baki      | Member   |

### Key matters of the committee:

- Reviewed the 2017 annual reports and accounts
- Reviewed the 2018 quarterly financial reports
- Reviewed the critical accounting policies applied in the preparation of the financial statements
- Reviewed the reports on key operational risks and the related controls and processes to manage and mitigate said risks





## Corporate Governance Report

### Finance, Risk and Audit Committee attendance:

The Committee held five (5) meetings in 2018

|                      |     |
|----------------------|-----|
| Chris Ogbechie       | 5/5 |
| Paul Farrer          | 5/5 |
| Fatima Aliko-Dangote | 5/5 |
| Olakunle Alake       | 5/5 |
| Halima Aliko-Dangote | 5/5 |
| Abdu Dantata         | 5/5 |
| Sada Ladan-Baki*     | 4/5 |

\*Sada Ladan-Baki was on approved work assignment with a related party company.

### The Establishment and General Purpose Committee

The Committee is responsible for reviewing the policy framework for employee and remuneration issues. The Committee also institutes a transparent procedure for the appointment of new Directors to the Board of Directors and makes recommendation to the Board regarding the tenures and the re-appointment of Directors.

The committee is comprised of five (5) Directors:

|                         |          |
|-------------------------|----------|
| Knut Ulvmoen            | Chairman |
| Paul Farrer             | Member   |
| Fatima Aliko-Dangote    | Member   |
| Halima Aliko-Dangote    | Member   |
| Fatima Wali-Abdurrahman | Member   |

Key matters of the committee:

- Considered the proposed new organizational and salary structure, including new positions and portfolios
- Considered the controls and procedures for monitoring staff and IT output quality

### Establishment & General Purpose Committee attendance:

The Committee held four (4) meetings in 2018

|                         |     |
|-------------------------|-----|
| Knut Ulvmoen            | 4/4 |
| Paul Farrer             | 4/4 |
| Fatima Aliko-Dangote    | 3/4 |
| Halima Aliko-Dangote    | 4/4 |
| Fatima Wali-Abdurrahman | 4/4 |

### The Statutory Audit Committee

The Committee is made up of six (6) members, three (3) representatives of Shareholders and three (3) members of the Board of Directors. The members are elected annually at General Meetings. The Committee, in compliance with the requirement of good corporate

governance practices is chaired by a representative of the Shareholders and include:

|                       |                      |
|-----------------------|----------------------|
| Okey Nwuke            | Chairman/Shareholder |
| Umar Farouk           | Shareholder          |
| Kudaisi Ayodele Sarat | Shareholder          |
| Halima Aliko-Dangote  | Director             |
| Abdu Dantata          | Director             |
| Chris Ogbechie        | Director             |

### Statutory Audit Committee attendance:

The committee held five (5) meetings in 2018

|                       |     |
|-----------------------|-----|
| Okey Nwuke            | 5/5 |
| Umar Farouk           | 5/5 |
| Kudaisi Ayodele Sarat | 5/5 |
| Halima Aliko-Dangote  | 5/5 |
| Abdu Dantata          | 5/5 |
| Chris Ogbechie        | 4/5 |

### Key matters of the committee:

- Ensured the independence and objectivity of the Audit.
- Reviewed the adequacy and effectiveness of NASCON Allied Industries' internal control policies prior to endorsement by the Board.
- Directed and supervised investigations into matters within its scope, such as evaluation of the effectiveness of NASCON Allied Industries' internal controls.

In addition to the above stated responsibilities, the Committee carries out all such other functions as stipulated by the Companies and Allied Matters Act of Nigeria, CAP C20 LFN 2004.

### Code of Business Conduct and Code of Governance for Directors

The Company has a code of business conduct, which is applicable to all employees and Directors. Mindful of our reputation, we have zero tolerance to all forms of unethical behavior including bribery and corruption. The policy is designed to promote a culture of honesty and accountability. It also provides guidance on mechanisms to report unethical conduct.

### Whistle Blowing Policy

We continually strive to create a work environment where employees, contract workers, vendors, service providers, customers and other stakeholders have the opportunity to make confidential disclosures on misconduct, irregularities or malpractice, without fear of harassment and/or

## Corporate Governance Report

victimization and with the assurance that their concerns will be taken seriously, investigated, and appropriate action will be taken.

In line with Section 32 of the SEC Code and international best practice in Corporate Governance, the Board has established a Whistle Blowing Policy to enable staff, in confidence, raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal, provided that such concerns are raised in good faith.

Employees and other stakeholders are encouraged to report incidents of misconduct in a confidential and anonymous manner through the internal reporting channels (i.e. Line Manager, Head of Department, and MD) and/or the outsourced KPMG Ethics Line. The Board subscribed to the KPMG Ethics Line to strengthen confidence in our Whistle Blowing Policy. The KPMG Ethics Line contact details are: 0703 000 0026, 0703 000 0027, 0808 822 8888, 0708 060 1222, 0809 993 6366 or kpmgethicsline@ng.kpmg.com.

The Board has delegated oversight over whistle blowing to the Finance, Risk and Audit Committee. All matters reported are investigated and reported to the Committee including the action taken.

### Insider Trading Policy

In accordance with Section 14 of the Nigerian Stock Exchange Amended Listing Rules, the Board has put in place a Security Trading Policy which applies to all Directors and Employees and also to those who may at any time possess, any insider or material information about the Company.

The Security Trading Policy as endorsed by the Board is in substantial conformity with the standard set out in Section 14 of the Amended Listing Rules. Accordingly, it is hereby confirmed that, after specific inquiries of all the Directors of the Company, they have all confirmed their compliance with the Policy in the period before the Company results were announced for the 2018 financial year.

There is no case of non-compliance with the Policy. Furthermore, the compliance of the Company Directors with the listing rules and the anti-insider trading policy will continue to be disclosed in the Company's quarterly and other financial reports.

### Complaints management

The Company has adopted a complaints management policy in accordance with the requirements of the Securities and Exchange Commission's rules relating to the Complaints Management Framework of the Nigerian Capital Markets.

Shareholders can direct any complaints or enquiries to the Company Secretariat or to the Registrars, depending on the nature of complaint. Our policy is to acknowledge receipt of the complaint within 48 hours and respond/resolve the query within 10 working days of receipt.

### Annual General Meeting (AGM)

The AGM is the principal opportunity for the Board to meet shareholders and explain the Company's progress and to answer any questions raised. The Notice of AGM is dispatched to all shareholders and published in two leading national newspapers and on our website, at least 21 working days before the AGM is held.

The Board and senior management team of the Company are available for discussions with shareholders before the AGM. The Chairmen of the Committees and myself are also available to answer shareholders' questions during formal proceedings of the AGM.

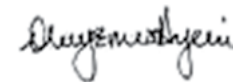
The Annual General Meeting to discuss this 2018 Annual Report will be held at the Civic Centre, Victoria Island, Lagos, at 10.00am on Thursday 13th June 2019.

### Conflict of Interest and related-party transactions

The Board maintains procedures to ensure that related-party transaction and potential conflicts of interest are identified, disclosed and managed. Details of the related-party transactions during the year is set out on page 110.

### Shareholders' Interest and Relations

The Board ensures the protection of the statutory and general rights of shareholders at all times particularly their rights to vote at the general meetings. All shareholders, regardless of volume of shareholding or social status are treated equally. The Company has an Investor Relations team that manages effective two-way communications with our investors.



**Yemisi Ayeni**  
Chairperson





# Introducing **THE NEW**



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## Board & Committee Structure

**10 Members**

**Board of Directors**

- 'Yemisi Ayeni (c)
- Paul Farrer
- Fatima Aliko-Dangote
- Olakunle Alake
- Halima Aliko-Dangote
- Abdu Dantata
- Sada Ladan-Baki
- Chris Ogbechie
- Knut Ulvmoen
- Fatima Wali-Abdurrahman

**5 Members**

**Establishment and General Purpose Committee**

- Knut Ulvmoen (c)
- Paul Farrer
- Fatima Aliko-Dangote
- Halima Aliko-Dangote
- Fatima Wali-Abdurrahman

**7 Members**

**Finance, Audit and Risk Committee**

- Chris Ogbechie (c)
- Paul Farrer
- Fatima Aliko-Dangote
- Olakunle Alake
- Halima Aliko-Dangote
- Abdu Dantata
- Sada Ladan-Baki

**6 Members**

**Statutory Audit Committee**

- Okey Nwuke (c)
- Umar Farouk
- Kudaisi Ayodele Sarat
- Halima Aliko-Dangote
- Abdu Dantata
- Chris Ogbechie

**14 Members**

**Management Committee**

- Paul Farrer (c)
- Fatima Aliko-Dangote
- Aderemi Saka
- Murtala Zubair
- Gerhard Scheepers
- Olushola Shosanya
- Olusegun Ajala
- Shalom Okonmah
- Patrick Mogaha
- Nura Shuaibu
- Tunde Iwamofe
- Ayokunle Ushie
- Jude Amaechi
- Adedayo Samuel



## Board of Directors



**Yemisi Ayeni**  
Chairperson

Yemisi is the immediate past Managing Director, Shell Nig. Closed Pension Fund Administrator Ltd, a position she held for 10 years.

A graduate of Economics, from the University of Manchester, UK, she is also a member of the Institute of Chartered Accountants in England and Wales.

She started her career with PWC, London in 1985, relocated to their Lagos office in 1991 and joined Shell Nigeria in 1994. She held a wide variety of roles in various Shell companies for 21 years.

She was a Council Member of the Nigerian Stock Exchange, Vice Chairman, Pension Fund Operators' Association and the Chair of the Association's Institute Committee. She is currently a Non-Executive Director of Guinness Nigeria, Non-Executive Director of Stanbic IBTC Pension Managers Ltd and an Advisory Board Member of the Africa Initiative for Governance.



**Paul Farrer**  
Managing Director

Paul joined NASCON as Managing Director in 2015, having previously been the Chief Operating Officer and Group Executive Director of Food Concepts Plc.

His experience in the foods business spans 22 years in the South and West African markets; in international companies such as TGI Fridays (Americana Group), Steers Holdings – Debonairs Pizza, Famous Brands and Innscor International.

He is an alumnus of East London Technical College, South Africa.



**Fatima Aliko-Dangote**  
Executive Director,  
Commercial

Fatima joined the Dangote Group in 2014 as the Special Assistant to the Managing Director-Cement and later worked as a Group Corporate Strategy Specialist. In this latter role, she provided planning and analytical support across all the Business Units of the Dangote Group.

She holds a Bachelor's degree in Law from the University of Surrey in the UK. Fatima has been called to the Nigerian Bar, and has worked as an Associate at Banwo and Ighodalo Legal Chambers, on areas related to capital markets, intellectual property and energy.



**Olakunle Alake**  
Director

Olakunle is Group Managing Director of Dangote Industries Limited (DIL). He was appointed to the Board of Dangote Industries in 2001 and has since been instrumental to the growth of the parent company and its subsidiaries.

He holds a Bachelor's degree in Civil Engineering from Obafemi Awolowo University Ile-Ife (1983) and is a Fellow of the Institute of Chartered Accountants of Nigeria. He joined DIL in 1990, after six years at PWC. He has held several management positions in DIL, including Financial Controller and Head of Strategic Services. He has deep finance and accounting experience and brings substantial experience in finance, mergers and acquisitions to the Board.



**Halima Aliko-Dangote**  
Director

Halima holds a Bachelor's Degree in Marketing from the American Intercontinental University, London, United Kingdom and a MBA from Webster Business School, London, also in the UK.

She started her career as a business analyst with KPMG Professional Services in Lagos, Nigeria, before she joined Dangote Industries Limited in 2010. She has held a number of key roles at Dangote Industries including Special Assistant to the President/Chief Executive.

She is currently the Executive Director in charge of Commercial activities at Dangote Flour Mills. She resigned as Executive Director at NASCON in February 2016 but remains on the Board as a Director.



**Abdu Dantata**  
Director

Abdu is the Executive Director in charge of Logistics and Distribution for Dangote Industries Limited, a position he has held since the Group was established more than 20 years ago. He is also the Chairman of Agad Nigeria Limited, a trading and transportation Company operating throughout Nigeria.

He is a fellow of the Nigerian Institute of Shipping. He brings his extensive experience in sales, logistics and distribution to Board.

## Board of Directors



## Board of Directors



**Sada Ladan-Baki**  
Director

Sada's experience spans thirty years in public service and fund administration

He sits on the board of several companies and belongs to many professional associations including the Institute of Logistics and Distribution (Chartered Fellow) and the Nigerian Institute of Marketing (Chartered Member).

He is a graduate of Economics with an MBA from Ahmadu Bello University, Zaria.



**Chris Ogbechie**  
Independent Director

Chris has wide experience in marketing, strategy and corporate governance derived from his work as Head of Marketing/Sales at Nestle Nigeria and from his consulting work with Nigerian, Ghanaian and Kenyan firms over the years. He is the Director of First Bank Sustainability Centre, Lagos Business School and former Chairman, Board of Directors, Diamond Bank Plc.

He teaches strategy and corporate governance at the Lagos Business School and Strathmore Business School in Nairobi, Kenya. Chris has a first-class honours degree in Mechanical Engineering from Manchester University, an MBA from Manchester Business School and a PhD in Business Administration from Brunel Business School in the UK.



**Knut Ulvmoen**  
Director

Knut joined Dangote in 1996 as the Finance Director. He is a management professional with extensive background in finance and administration of multinational companies including Revisor-Centret, Norcem Group, Bulkem and Scancem.

He has been instrumental in moving the Group from import and trading into a manufacturing conglomerate with tentacles across the African continent. He holds a Master's of Science degree in Business and is a Member of the Norwegian Association of Authorised Accountants.



**Fatima Wali-Abdurrahman**  
Independent Director

Fatima is an architect, real estate developer and management professional. She is currently the Chief Executive Officer of the Filmo Group and Deputy President of the Housing Finance Professionals Association of Nigeria. She serves on the boards of NMRC (Nigeria Mortgage Refinance Co.) and the Advisory Board of the Chapel Hill Denham Fund for Women. She was recently appointed a member of the Board of Directors of the OANDO Foundation, is a WIMBOARD Lead Ambassador (WIMBIZ Initiative) and a member of the Presidential Committee for Flood Relief and Rehabilitation. A graduate of both Architecture and Urban Studies from the University of Minnesota, U.S.A., she holds a M.Sc. (Arch.) in Economics and Management of Construction from the University of London



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## Report of the Directors'

"The Board is satisfied that the Annual Report represents a fair, balanced and realistic view of events during the 2018 financial year."



The Directors are pleased to submit their report together with the audited financial statements of the Company for the year ended December 31, 2018.

Having considered all the matters reviewed and brought before the Board, the Board is satisfied that the Annual Report represents a fair, balanced and realistic view of events during the 2018 financial year.

### Legal form

The Company was incorporated on April 30, 1973 as a limited liability company. The shares are currently quoted on the Nigerian Stock Exchange.

### Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company in accordance with Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004. In doing so, they ensure that:

- proper accounting records are maintained;
- applicable accounting statements are followed;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable and prudent;

- the going concern basis is used, unless it is inappropriate to presume that the Company will continue in business;
- internal control procedures are instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

### Directors

The appointment, removal or re-appointments of Directors is governed by the Company's Articles of Association and the Companies and Allied Matters Act (CAMA) LFN 2004. These documents also set out the rights and obligations of the Directors. The company has ten (10) Directors. Their biographies are contained in pages 44 to 46. The Directors of the company during the year and to the date of this report are as follows:

|                         |                      |
|-------------------------|----------------------|
| 'Yemisi Ayeni           | Chairperson          |
| Paul Farrer             | Managing Director    |
| Fatima Aliko-Dangote    | Executive Director   |
| Olakunle Alake          | Director             |
| Halima Aliko-Dangote    | Director             |
| Abdu Dantata            | Director             |
| Sada Ladan-Baki         | Director             |
| Chris Ogbechie          | Independent Director |
| Knut Ulvmoen            | Director             |
| Fatima Wali-Abdurrahman | Independent Director |

## Report of the Directors'

### Principal Activities

The principal activities of the company during the year include processing of Raw Salt into Refined, Edible and Industrial Salts and Seasoning.

### Company Distributors

The company's products are distributed by distributors across the country, who redistribute to wholesalers, confectioners, supermarkets and retailers. Salt retail packs come in 250g, 500g and 1kg and are sold under the brand name Dangote Refined Salt. Seasoning, Spices and Mixes are sold under the brand name Dan-Q, Dangote Classic Seasoning, Dangote Stew Mix and Dangote Curry.

### Suppliers

The Company obtains its materials at arm's length basis both locally and internationally. Amongst our main vendors are Bulk Commodities Limited and Dangote Agrosacks Limited.

### Business Review

The Business Review comprises of the following, each of which are incorporated by reference into, and forms part of this Report of the Directors:

- Chairperson's Statement on page 8 - 9
- MD Review on pages 14 - 15
- CFO Review on pages 16 - 19
- Human Resources Report on pages 24 - 25
- Risk Management Report on pages 26 - 30
- HSE Report on pages 32 - 35
- Corporate Governance Report on pages 38 - 41

### Results of the Year and Dividend

Total revenue of the Company was ₦25.77 billion (2017: ₦27.06 billion). Profit for the year was ₦4.42 billion (2017: ₦5.34 billion). Proposed final dividend for 2018 is ₦1.00 per share amounting to ₦2.65 billion.

### Directors Shareholding

|                             | As at<br>December 31, 2017 | As at<br>December 31, 2018 | As at<br>March 21, 2019 |
|-----------------------------|----------------------------|----------------------------|-------------------------|
| 1. 'Yemisi Ayeni            | -                          | -                          | -                       |
| 2. Paul Farrer              | -                          | -                          | -                       |
| 3. Fatima Aliko-Dangote     | -                          | -                          | -                       |
| 4. Olakunle Alake           | 4,170,000                  | 4,419,959                  | 4,419,959               |
| 5. Halima Aliko-Dangote     | -                          | -                          | -                       |
| 6. Abdu Dantata             | 2,000,000                  | 2,000,000                  | 2,000,000               |
| 7. Sada Ladan-Baki          | 2,758,673                  | 1,159,005                  | 1,159,005               |
| 8. Chris Ogbechie           | -                          | 100,000                    | 100,000                 |
| 9. Knut Ulvmoen             | -                          | -                          | -                       |
| 10. Fatima Wali Abdurrahman | -                          | -                          | -                       |

### Events after the reporting period

There were no significant developments since the balance sheet date which could have had a material effect on the state of affairs of the Company as at December 31, 2018 and the profit for the year ended on that date, which have not been adequately recognized.

### Unclaimed Dividends

The total amount outstanding as at 31 December, 2018 is ₦695.68million. A summary of the report is on page 115. The list of unclaimed dividends is available on the company website - [www.nasconplc.com](http://www.nasconplc.com). The company notes that some dividend warrants have remained unclaimed, therefore all shareholders with unclaimed dividends should address their claims to the Registrars - Meristem Registrars and take advantage of the e-dividend by completing the form included in page 123.

### Director' Interests

The Directors' interests in the issued share capital of the Company as recorded in the register of members and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, are as follows in the table below.

### General Mandate Circular

In compliance with the rules of the Nigerian Stock Exchange governing transactions with related or interested persons, the General Mandate circular in respect of all recurrent transactions that may be entered into with a related party or interested person which are of a revenue and trading nature or are necessary for the Company's operations including but not limited to the procurement of goods and services on normal commercial transactions terms as contained in the circular on page 122 will be considered for approval at the Annual General Meeting.



## Report of the Directors'

### Rotation of Directors

By virtue of Section 259 (1) & (2) of the Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004, one-third of the Directors of the Company who have been longest in office since their last election shall retire from office and in accordance with this section, 'Yemisi Ayeni, Fatima Wali-Abdurrahman and Sada Ladan-Baki are retiring by rotation and being eligible, offer themselves for re-election.

No Director has a service contract not determinable within five years.

### Substantial interest in shares

The Registrar has advised that according to the Register of Members on December 31, 2018 Dangote Industries Limited with 1,647,763,557 ordinary shares of 50k each and Stanbic IBTC Nominees Limited with 207,156,505 ordinary shares of 50k each held more than 5% of the issued share capital of the Company.

Analysis of shareholdings are summarised in the table below.

### Free Float

All shares other than shares held by Dangote Industries Limited are considered to be free float shares. The current free float is 37.81%.

### Share Capital History

All issued shares are fully paid and no additional shares were issued in 2018. Details of the share capital history are set out on page 116.

| Range                 | No. of Holders | Holders %      | Units                | Units %        |
|-----------------------|----------------|----------------|----------------------|----------------|
| 1 1,000               | 21,031         | 63.07%         | 8,247,139            | 0.31%          |
| 1,001 5,000           | 6,207          | 18.62%         | 15,510,042           | 0.59%          |
| 5,001 10,000          | 2,081          | 6.24%          | 14,955,647           | 0.56%          |
| 10,001 50,000         | 2,994          | 8.98%          | 64,302,272           | 2.43%          |
| 50,001 100,000        | 478            | 1.43%          | 35,230,060           | 1.33%          |
| 100,001 500,000       | 416            | 1.25%          | 86,975,212           | 3.28%          |
| 500,001 1,000,000     | 64             | 0.19%          | 45,007,175           | 1.70%          |
| 1,000,001 5,000,000   | 49             | 0.15%          | 107,158,760          | 4.04%          |
| 5,000,001 10,000,000  | 9              | 0.03%          | 62,205,265           | 2.35%          |
| 10,000,001 25,000,000 | 7              | 0.02%          | 103,286,407          | 3.90%          |
| 25,000,001 ABOVE      | 7              | 0.02%          | 2,106,560,399        | 79.51%         |
| <b>Grand Total</b>    | <b>33,343</b>  | <b>100.00%</b> | <b>2,649,438,378</b> | <b>100.00%</b> |

### Corporate Governance

- The Company is committed to the best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.
- Members of the Board of Directors hold quarterly meetings to decide on policy matters and direct the affairs of the Company, review its performance, its operations, finance and formulate growth strategy. Attendance at Directors' meetings is impressive.
- In line with provisions of section 258(2) of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the record of Directors' attendance at Boarding Meetings is available for inspection at the Annual General Meeting.
- The remuneration of the Executive Directors is fixed.
- The Board of Directors consists of ten (10) members; The Chairperson, two (2) Executive Directors and seven (7) Non-Executive Directors out of which two (2) are Independent.
- Appointment to the Board is made by shareholders at the Annual General Meeting upon retirement of a Director.
- The Board, from time to time, routinely empowers committees to examine and deliberate on finance and establishment related issues.

### Non-current assets

Movements in Property, Plant and Equipment during the year are shown in Note 21 to the financial statements. In the opinion of the Directors, the market value of the company's properties is not less than the value shown in the financial statements.

## Report of the Directors'

### Donations

No donations were made in 2018 as all CSR activities are carried out by Dangote Foundation on behalf of the companies within the Dangote Group.

### Audit Committee

The Company, pursuant to Section 359(3) of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 has put in place a Statutory Audit Committee comprising three (3) shareholders and three (3) Directors as follows:

|                       |                      |
|-----------------------|----------------------|
| Okey Nwuke            | Chairman/Shareholder |
| Umar Farouk           | Shareholder          |
| Kudaisi Ayodele Sarat | Shareholder          |
| Halima Aliko-Dangote  | Director             |
| Abdu Dantata          | Director             |
| Chris Ogbechie        | Director             |

### Auditors

PricewaterhouseCoopers (Chartered Accountants) have indicated their willingness to continue in office as the Company's Auditors in accordance with Section 357(2) of the Companies' and Allied Matters Act of Nigeria, Cap C20 LFN 2004. A resolution will be proposed authorizing the Directors to fix their remuneration.

By order of the Board



**Adedayo A. Samuel**  
**Company Secretary**  
**FRC/2016/NBA/00000015291**

1, Alfred Rewane Road,  
 Falomo, Ikoyi, Lagos  
 Nigeria  
 21 March, 2019







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## FINANCIALS



Nascon Allied Industries PLC Annual Report 2018



## Statutory Audit Committee Report

This report is provided by the Audit Committee appointed in respect of the 2018 financial year of NASCON Allied Industries Plc.

### 1. Members of the Audit Committee

The Audit Committee is made up of six (6) members, three (3) representatives of Shareholders and three (3) members of the Board of Directors. Members of the Audit Committee are elected annually at General Meetings. The Committee in compliance to the requirement of corporate governance practice is chaired by a representative of the Shareholders and include:

#### Name Position

|                       |                      |
|-----------------------|----------------------|
| Okey Nwuke            | Chairman/Shareholder |
| Umar Farouk           | Shareholder          |
| Kudaisi Ayodele Sarat | Shareholder          |
| Halima Aliko-Dangote  | Director             |
| Abdu Dantata          | Director             |
| Chris Ogbechie        | Director             |

### 2. Meetings held by the Audit Committee

The committee held five scheduled meetings during 2018

| Name                  | 30/01/18 | 27/03/18 | 30/04/18 | 15/08/18 | 26/10/18 |
|-----------------------|----------|----------|----------|----------|----------|
| Okey Nwuke            | Yes      | Yes      | Yes      | Yes      | Yes      |
| Umar Farouk           | Yes      | Yes      | Yes      | Yes      | Yes      |
| Kudaisi Ayodele Sarat | Yes      | Yes      | Yes      | Yes      | Yes      |
| Halima Aliko-Dangote  | Yes      | Yes      | Yes      | Yes      | Yes      |
| Abdu Dantata          | Yes      | Yes      | Yes      | Yes      | Yes      |
| Chris Ogbechie        | No       | Yes      | Yes      | Yes      | Yes      |

### 3. Audit Committee Responsibilities

- Ensuring the independence and objectivity of the Audit.
- Reviewing the adequacy and effectiveness of NASCON Allied Industries Plc's internal control policies prior to endorsement by the Board.
- Directing and supervising investigations into matters within its scope, such as evaluation of the effectiveness of NASCON Allied Industries Plc's internal controlst.

In addition to the above stated responsibilities, the Committee carries out all such other functions as stipulated by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.

### 4. Insider Trading Policy

In accordance with Section 14 of the Nigerian Stock Exchange Amended Listing Rules, the Board has put in place a Security Trading Policy which applies to all Directors and Employees and also to those who may at any time possess, any insider or material information about the Company.

The Security Trading Policy as endorsed by the Board is in substantial conformity with the standard set out in Section 14 of the Amended Listing Rules.

Accordingly, it is hereby confirmed that, after specific inquiries of all the Directors of the Company, they have all confirmed their compliance with the Policy in the period before the Company results were announced for the 2018 financial year.

## Statutory Audit Committee Report

There is no case of non-compliance with the Policy.

Furthermore, the compliance of the Company Directors with the listing rules and the anti-insider trading policy will continue to be disclosed in the Company's quarterly and other financial reports.

### 5. External Auditors

In accordance with the provisions of Section 359(6) of Companies and Allied Matters Act of Nigeria, CAP C20 LFN 2004, we have examined the Auditors' report for the year ended December 31, 2018. We have obtained all the information and explanations we required.

In our opinion, the Auditors' report is consistent with our review of the scope and planning of the Audit. We are also satisfied that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.

Having reviewed the Auditors' findings and recommendations in the Management letter, we are satisfied with Management's response therein



#### Okey Nwuke

Chairman, Statutory Audit Committee  
FRC/2017/ICAN/00000016523  
21 March, 2019

#### Members of the Committee

Umar Farouk  
Kudaisi Ayodele Sarat  
Halima Aliko-Dangote  
Abdu Dantata  
Chris Ogbechie



## Statement of Directors' Responsibilities for the Preparation and Approval of the Financial Statements for the year ended December 31, 2018

The Directors of NASCON Allied Industries Plc are responsible for the preparation of the Financial Statements that give a true and fair view of the financial position of the Company as at December 31, 2018, and the results of its operations, statement of cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards and in the manner required by Companies and Allied Matters Act, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council Of Nigeria Act.

In preparing the consolidated Financial Statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern

The Directors are responsible for:

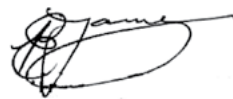
- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the Financial Statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and preventing and detecting fraud and other irregularities.

The Financial Statements of the Company set out on pages 62 to 111, for the year ended December 31, 2018, were approved by the Board on March 21, 2019.

### Signed on behalf of the Board of Directors By:



**Professor Chris Ogbechie**  
Director  
FRC/2015/IODN/0000011213



**Paul Farrer**  
Managing Director  
FRC/2016/IODN/0000015797

## Independent auditor's report To the Members of NASCON Allied Industries Plc



### Report on the audit of the financial statements

#### Our opinion

In our opinion, NASCON Allied Industries Plc's (the company's) financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

#### What we have audited

NASCON Allied Industries Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

#### Basis for opinion

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

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

#### Independence

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





# Independent auditor's report

To the Members of NASCON Allied Industries Plc



## Key audit matters

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

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Impairment assessment of property, plant and equipment</b></p> <p>Included in property, plant and equipment are cash generating units for the vegetable oil plant and tomato paste plant with a carrying value of N2.5 billion as at 31 December 2018. These assets have remained idle due to the company's inability to obtain feedstock required for production at commercially viable volumes.</p> <p>Due to the existence of this impairment indicator, the directors have carried out an impairment assessment on the plants to determine the recoverable amount of the plants, based on the value in use. Value in use is a discounted cash flow (DCF) model, which reflects the guidance of IAS 36 – Impairment of assets.</p> <p>The discounted cash flow model requires significant use of judgement and assumptions, such as sales forecasts, growth rates and discount rates. Changes in these assumptions could have a significant impact on the determination of the recoverable amount, and hence the amount of impairment loss, if any, to be recognised. There was no impairment loss on both the vegetable oil and tomato paste plants.</p> <p>Refer to accounting policies 2.8, 2.10.2 and 3.1.1. The carrying value of the plants have been included in the value of property, plant and equipment disclosed in Note 21.5 to the financial statements.</p> | <p>We adopted a substantive approach in testing the impairment assessment prepared by the directors. Specifically, we:</p> <ul style="list-style-type: none"> <li>relied on the assistance of our independent valuation experts, and assessed the adequacy of the discounted cash flow model used by the directors.</li> <li>reviewed the discount and growth rates utilised in preparing the cash flow forecasts, against independent external sources, for consistency.</li> <li>challenged management on their assumptions related to supply of feedstock and sales forecast.</li> <li>reviewed the disclosure for reasonableness.</li> </ul> |

# Independent auditor's report

To the Members of NASCON Allied Industries Plc



| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Valuation of trade receivables</b></p> <p>Trade receivables net of loss allowance amounted to N8.3 billion. We focused on this area because of the significant value of trade receivables and because the directors make significant and subjective judgement over the timing of recognition and amount of the related loss allowance.</p> <p>The adoption of IFRS 9 Financial Instruments introduced the expected credit loss (ECL) model, which requires significant judgement. The directors have adopted the simplified approach in assessing the loss allowance for trade receivables. Significant judgement exercised by the directors include:</p> <ul style="list-style-type: none"> <li>definition of default and significant increase in credit risk adopted by the company.</li> <li>methodology used to determine the loss rates for the calculation of the lifetime ECL.</li> <li>Provision matrix adopted in determining the lifetime ECL.</li> <li>incorporating forward looking information in the ECL model.</li> </ul> <p>Refer to accounting policies 2.13 and 3.1.3. The carrying value of trade receivables has been disclosed in Note 24 to the financial statements.</p> | <p>We adopted a substantive approach to test this balance. Specifically, we:</p> <ul style="list-style-type: none"> <li>checked the reasonableness of the criteria identified in the definition of default and significant increase in credit risk.</li> <li>selected a sample of customer accounts to check the sales and settlement pattern used in developing the loss rates.</li> <li>examined the appropriateness of the provision matrix approach used to determine the lifetime ECL based on the requirements of IFRS 9.</li> <li>checked the forward-looking information used in the ECL model to externally available macroeconomic information and assessed reasonableness of the macroeconomic indices used.</li> <li>reviewed the IFRS 9 disclosures for reasonableness.</li> </ul> |

## Other information

The directors are responsible for the other information. The other information comprises the Directors, Officers and Professional Advisers, Results at a Glance, Report of the Directors, Corporate Governance Report, Report of the Statutory Audit Committee, Statements of Directors Responsibilities for the Preparation and Approval of the Financial Statements, Other National Disclosure – Value Added Statement and Other National Disclosure – Five Year Financial Summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the NASCON Allied Industries Plc 2018 Annual Report, which are expected to be made available to us after that date.

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

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





## Independent auditor's report

To the Members of NASCON Allied Industries Plc



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

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

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

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

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

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

## Independent auditor's report

To the Members of NASCON Allied Industries Plc



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

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

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

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

### *Report on other legal and regulatory requirements*

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Oladele Oladipo

For: Pricewaterhouse Coopers  
Chartered Accountants  
Lagos, Nigeria.  
Engagement Partner:  
Oladele Oladipo FRC/2013/ICAN/00000002951  
22 March 2019



22 March 2019





## Statement of Profit or Loss and Other Comprehensive Income as at December 31, 2018

|  | Note(s) | 2018<br>₦'000    | 2017<br>₦'000    |
|--|---------|------------------|------------------|
| Revenue from contracts with customers          | 6       | 25,769,352       | 27,064,325       |
| Cost of sales                                  | 8       | (17,988,663)     | (17,070,310)     |
| <b>Gross profit</b>                            |         | <b>7,780,689</b> | <b>9,994,015</b> |
| Other income                                   | 10      | 29,265           | 11,296           |
| Other operating gains/(losses)                 | 11      | 841,845          | (1,868)          |
| Movement in credit loss allowances             | 13      | 26,186           | -                |
| Distribution costs                             | 12.1    | (828,826)        | (604,718)        |
| Administrative expenses                        | 12.2    | (1,868,153)      | (1,771,869)      |
| <b>Operating profit</b>                        |         | <b>5,981,006</b> | <b>7,626,856</b> |
| Investment income                              | 9       | 468,379          | 354,745          |
| Finance costs                                  | 16      | -                | (72,113)         |
| <b>Profit before taxation</b>                  |         | <b>6,449,385</b> | <b>7,909,488</b> |
| Taxation                                       | 18      | (2,029,168)      | (2,565,896)      |
| <b>Profit for the year</b>                     |         | <b>4,420,217</b> | <b>5,343,592</b> |
| Other comprehensive income                     |         | -                | -                |
| <b>Total comprehensive income for the year</b> |         | <b>4,420,217</b> | <b>5,343,592</b> |
| <b>Earnings per share</b>                      |         |                  |                  |
| <b>Per share information</b>                   |         |                  |                  |
| Basic and diluted earnings per share (Kobo)    | 20      | 167              | 202              |

The accounting policies on pages 66 to 77 and the notes on pages 78 to 111 form an integral part of the Financial Statements.

## Statement of Financial Position as at December 31, 2018

|                                     | Note(s) | 2018<br>₦'000     | 2017<br>₦'000     |
|-------------------------------------|---------|-------------------|-------------------|
| <b>Assets</b>                       |         |                   |                   |
| <b>Non-Current Assets</b>           |         |                   |                   |
| Property, plant and equipment       | 21      | 11,705,283        | 9,419,203         |
| Other assets                        | 22      | -                 | 1,838             |
|                                     |         | <b>11,705,283</b> | <b>9,421,041</b>  |
| <b>Current Assets</b>               |         |                   |                   |
| Inventories                         | 23      | 4,370,379         | 3,016,787         |
| Trade and other receivables         | 24      | 8,887,876         | 5,603,540         |
| Other financial assets              | 25      | 433,433           | 468,791           |
| Other assets                        | 22      | 2,285,482         | 2,136,348         |
| Cash and cash equivalents           | 26      | 2,587,976         | 9,476,740         |
|                                     |         | <b>18,565,146</b> | <b>20,702,206</b> |
| <b>Total Assets</b>                 |         | <b>30,270,429</b> | <b>30,123,247</b> |
| <b>Equity and Liabilities</b>       |         |                   |                   |
| <b>Equity</b>                       |         |                   |                   |
| Share capital                       | 27      | 1,324,719         | 1,324,719         |
| Share premium                       | 28      | 434,037           | 434,037           |
| Retained earnings                   | 29      | 10,134,724        | 9,776,456         |
|                                     |         | <b>11,893,480</b> | <b>11,535,212</b> |
| <b>Liabilities</b>                  |         |                   |                   |
| <b>Non-Current Liabilities</b>      |         |                   |                   |
| Borrowings                          | 31      | 38,570            | 38,570            |
| Retirement benefit obligation       | 32      | 197,831           | 222,134           |
| Deferred tax                        | 19      | 2,051,828         | 1,712,001         |
|                                     |         | <b>2,288,229</b>  | <b>1,972,705</b>  |
| <b>Current Liabilities</b>          |         |                   |                   |
| Trade and other payables            | 33      | 13,764,206        | 13,442,962        |
| Contract liabilities                | 34      | 622,425           | 1,186,993         |
| Current tax payable                 | 18      | 1,702,089         | 1,985,375         |
|                                     |         | <b>16,088,720</b> | <b>16,615,330</b> |
| <b>Total Liabilities</b>            |         | <b>18,376,949</b> | <b>18,588,035</b> |
| <b>Total Equity and Liabilities</b> |         | <b>30,270,429</b> | <b>30,123,247</b> |

The financial statements and the notes on pages 62 to 111, were approved by the board on the 21 March, 2019 and were signed on its behalf by:



**Professor Chris Ogbechie**  
Director  
FRC/2015/IODN/0000011213



**Paul Farrer**  
Managing Director  
FRC/2016/IODN/0000015797



**Tunde Iwamofe**  
Finance Controller  
FRC/2013/ICAN/0000002247

The accounting policies on pages 66 to 77, and the notes on pages 78 to 111 form an integral part of the financial statements.



## Statement of Changes in Equity as at December 31, 2018

|  | Share<br>capital<br>N'000 | Share<br>premium<br>N'000 | Total share<br>capital<br>N'000 | Retained<br>income<br>N'000 | Total<br>equity<br>N'000 |
|--|---------------------------|---------------------------|---------------------------------|-----------------------------|--------------------------|
| <b>Balance at 1 January 2017</b>   | <b>1,324,719</b>          | <b>434,037</b>            | <b>1,758,756</b>                | <b>6,287,471</b>            | <b>8,046,227</b>         |
| Profit for the year  | -                         | -                         | -                               | 5,343,592                   | 5,343,592                |
| Other comprehensive income   | -                         | -                         | -                               | -                           | -                        |
| <b>Total comprehensive income for the year</b>   | <b>-</b>                  | <b>-</b>                  | <b>-</b>                        | <b>5,343,592</b>            | <b>5,343,592</b>         |
| Dividends  | -                         | -                         | -                               | (1,854,607)                 | (1,854,607)              |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                        | <b>(1,854,607)</b>          | <b>(1,854,607)</b>       |
| Opening balance as previously reported   |                           |                           |                                 |                             |                          |
| Adjustments  | 1,324,719                 | 434,037                   | 1,758,756                       | 9,776,456                   | 11,535,212               |
| Initial application of IFRS 9  | -                         | -                         | -                               | (87,791)                    | (87,791)                 |
| <b>Balance at 1 January 2018 as restated</b>   | <b>1,324,719</b>          | <b>434,037</b>            | <b>1,758,756</b>                | <b>9,688,665</b>            | <b>11,447,421</b>        |
| Profit for the year  | -                         | -                         | -                               | 4,420,217                   | 4,420,217                |
| Other comprehensive income   | -                         | -                         | -                               | -                           | -                        |
| <b>Total comprehensive income for the year</b>   | <b>-</b>                  | <b>-</b>                  | <b>-</b>                        | <b>4,420,217</b>            | <b>4,420,217</b>         |
| Dividends  | -                         | -                         | -                               | (3,974,158)                 | (3,974,158)              |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                        | <b>(3,974,158)</b>          | <b>(3,974,158)</b>       |
| <b>Balance at 31 December 2018</b>   | <b>1,324,719</b>          | <b>434,037</b>            | <b>1,758,756</b>                | <b>10,134,724</b>           | <b>11,893,480</b>        |

The accounting policies on pages 66 to 77 and the notes on pages 78 to 111 form an integral part of the financial statements.

## Statement of Cash Flows as at December 31, 2018

|  | Note(s)   | 2018<br>N'000      | 2017<br>N'000      |
|--|-----------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                  |           |                    |                    |
| Cash generated from operations                               | 35        | 2,983,328          | 14,747,880         |
| Tax paid   |           | (1,972,626)        | (884,626)          |
| Retirement benefit obligation paid                           | 32        | (24,303)           | (27,501)           |
| <b>Net cash from operating activities</b>                    |           | <b>986,399</b>     | <b>13,835,753</b>  |
| <b>Cash flows from investing activities</b>                  |           |                    |                    |
| Purchase of property, plant and equipment                    | 21        | (4,426,787)        | (4,815,362)        |
| Sale of property, plant and equipment                        | 21        | 22,045             | 5,046              |
| Sale of financial assets                                     |           | 35,358             | (468,791)          |
| Interest Income  |           | 468,379            | 354,745            |
| <b>Net cash from investing activities</b>                    |           | <b>(3,901,005)</b> | <b>(4,924,362)</b> |
| <b>Cash flows from financing activities</b>                  |           |                    |                    |
| Dividends paid   |           | (3,974,158)        | (1,854,607)        |
| Finance costs  |           | -                  | (72,113)           |
| <b>Net cash from financing activities</b>                    |           | <b>(3,974,158)</b> | <b>(1,926,720)</b> |
| <b>Total cash and cash equivalents movement for the year</b> |           | <b>(6,888,764)</b> | <b>6,984,671</b>   |
| Cash and cash equivalents at the beginning of the year       |           | 9,476,740          | 2,492,069          |
| <b>Total cash and cash equivalents at end of the year</b>    | <b>26</b> | <b>2,587,976</b>   | <b>9,476,740</b>   |



# Accounting Policies

## Corporate information

NASCON Allied Industries Plc is a public limited company incorporated and domiciled in Nigeria.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 21 March, 2019.

## 1 General information

NASCON Allied Industries Plc (Formerly known as National Salt Company of Nigeria.) was incorporated in Nigeria as a limited liability company on 30 April 1973. It was fully privatised in April, 1992 and became listed on the Nigerian Stock Exchange on 20 October, 1992. At a general meeting held on 29 September 2006, the shareholders approved the acquisition of the assets, liabilities and business undertakings of Dangote Salt Limited and the issue and allotment of additional NASCON PLC shares as the purchase consideration. The major shareholder of the Company is Dangote Industries Limited that owns 62.19% of the issued share capital, while the remaining 37.81% is held by the Nigerian public.

The ultimate controlling party is Dangote Industries Limited, a company incorporated in Nigeria.

The registered address of the Company is located at Salt City, Ijoko Ota, Ogun State.

### 1.1 The principal activity

Principal activities of the Company during the year include processing of raw salt into refined, edible and industrial salt. The company also produces Seasoning. The Company's products are sold through distributors across the country.

### 1.2 Financial period

The financial statements cover the financial year from 1 January 2018 to 31 December 2018 with comparatives for the year ended 31 December 2017.

### 1.3 Going concern status

The Company has consistently turned in Profits since 2007. The Directors' believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseeable future. Thus, these Financial Statements are prepared on a going concern basis.

## 2 Significant accounting policies

The significant 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 Statement of Compliance with IFRS

The Financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards and International Financial Reporting Standards Interpretations Committee (IFRS IC) interpretations issued and effective at the time of preparing these financial statements.

### 2.2 Basis of measurement

The Financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset

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or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

### 2.3 Functional and presentation currency

These Financial Statements are presented in Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand.

#### 2.3.1 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Naira, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss as other operating gains (losses) in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any foreign exchange component of that gain or loss is recognised in profit or loss as other operating gains (losses).

Cash flows arising from transactions in a foreign currency are recorded in Naira by applying to the foreign currency amount the exchange rate between the Naira and the

foreign currency at the date of the cash flow.

### 2.4 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable for goods or services, in the ordinary course of the Company's activities and it is stated net of value added tax (VAT), rebates and returns. A valid contract is recognised as revenue after;

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

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

Revenue is recognised when the control of the goods and service are transferred to the customer. This occurs when the goods are delivered to the customer and customer's acceptance is received or when goods are picked up by the customers. For customers that opt for delivery, Nascon has two promises to such customers, which is the sale of goods (salt or seasoning) and delivery service.

Nascon Allied Industries Plc transfers control to the customers after the goods have been delivered to the customer, however, the customer obtains the right to return goods that are bad or damaged after they have been delivered.

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

Revenue from sale of salt and seasoning is recognised based on the price specified in the contract, net of the estimated rebates and returns. Rebates are estimated at the inception of the contract except where the time lag



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between the recognition of revenue and granting rebates is within one month.

Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur. Contract liability is recognised for consideration received for which performance obligation has not been met.

Specifically, revenue from the sale of goods is recognised when goods are delivered (or collected, if sold under self-collection terms) and legal title is passed.

### 2.5 Investment income

This represents interest income earned on short term placements with banks and other financial assets at amortised cost - treasury bills. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the its gross carrying amount.

### 2.6 Employee benefits Retirement benefit obligation

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### 2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates at the reporting sheet date.

Education tax is assessed at 2% of the assessable profits as defined by the tertiary Education Tax Act.

#### Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in Profit and Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.8 Property, plant and equipment 2.8.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality

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of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

### 2.8.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### 2.8.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative year are as follows:

|                        |          |
|------------------------|----------|
| Buildings              | 50 years |
| Tools and Equipment    | 4 years  |
| Plant and Equipment    | 15 years |
| Furniture and fittings | 5 years  |
| Motor vehicles         | 4 years  |
| Computer Equipment     | 3 years  |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised and determined to be directly required to bring the asset to the location and condition for intended use and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

### 2.9 Leases

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as prepayment. This liability is not discounted.

Any contingent rentals are expensed in the period they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.





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The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Where there are no agreed lease terms, rent payable is recognised as incurred.

### 2.10 Intangible assets

The amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### 2.10.1 Derecognition of intangible assets

An intangible assets is derecognized on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in Profit or Loss when the asset is derecognised.

#### 2.10.2 Impairment of Non-financial assets excluding goodwill

At the end of each reporting period, 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 it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 assessments 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, packaging materials, work in progress, oil and lubricants, engineering spares and consumable stock is determined on a weighted average basis. Cost of finished goods is determined on the basis of standard costs adjusted for variances. Standard costs are periodically reviewed to approximate actual costs.

Goods in transit are valued at the invoice price. Cost of inventories comprises of all costs of purchase, conversion cost (materials, labour and overhead) and other costs incurred to bring inventories to their present location and condition. Finished goods, which include direct labour and factory overheads, are valued at standard cost adjusted at year-end on an actual cost basis.

Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of

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inventory, with the majority being valued on an average cost basis.

### 2.12 Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation (when the time value of money is material).

The amount recognised as provision is the present value of the expenditure expected to be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### 2.12.1 Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When the Company's management determine that it is probable that a liability for environmental costs exists and that its resolution will result in an outflow of resources, Management's best judgement/estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only virtually certain insurance recoveries are recognized as an asset on the statement of financial position). When the Company does not have a reliable reversal time schedule

or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

### 2.13 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).





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Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 36 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

### Trade and other receivables

#### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 24).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

### Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

#### Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

### Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in administrative expenses in profit or loss as a movement in credit loss allowance (note 13).

#### Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed

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under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Credit risk

Details of credit risk are included in the trade and other receivables note (note 24) and the financial instruments and risk management note (note 36).

#### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note 11).

### Trade and other payables

#### Classification

Trade and other payables (note 33), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

#### Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 16).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 36 for details of risk exposure and management thereof.

#### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

#### Derecognition

##### Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Reclassification

##### Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is





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applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

### Financial liabilities

Financial liabilities are not reclassified.

### 2.14 Financial instruments: IAS 39 comparatives

#### Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

#### Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

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Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

#### Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

#### Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at

cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk





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of changes in value. These are initially and subsequently recorded at fair value.

### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

### 2.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 2.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds and the fair value of the loan based on prevailing market interest rates.

### 2.17 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

### 2.18 Earnings per share

The Company presents Basic Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares

## 3 Critical accounting judgement and key sources of estimation uncertainty

In the application of the Company's significant accounting policies, described in Note 2, the Directors' are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### 3.1.1 Impairment testing

The recoverable amounts of the vegetable oil and tomato

## Accounting Policies

paste plants have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of the vegetable oil and tomato paste plants .

### 3.1.2 Useful life of property, plant and equipment

The Company reviewed and revised the estimated useful lives of its property, plant and equipment on transition to IFRS on 1 January, 2011, and under IFRS, has reviewed them annually at each reporting date. Useful lives are estimated based on the engineer's report, as at each reporting date. Some of the factors considered include the current service potential of the assets, potential cost

of repairs and maintenance.

There is a degree of subjective judgment in such estimation which has a resultant impact on profit and total comprehensive income for the year.

### 3.1.3 Allowances for credit losses

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.



## Notes to the Financial Statement for the year ended December 2018

### 4. New Standards and Interpretations

#### 4.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets.

IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and; b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

##### Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes

in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The company has adopted the standard for the first time in the 2018 financial statements.

## Notes to the Financial Statement for the year ended December 2018

The impact of the standard is set out in note 5 Changes in Accounting Policy.

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The company has adopted the standard for the first time in the 2018 financial statements.

The impact of the standard is set out in note 5 Changes in Accounting Policy.

#### 4.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January, 2019 or later periods:

##### Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The amendment deals with the determination of past service cost and gains or losses on settlement, when a plan is amended, curtailed or settled (the event). Specifically, when determining the past service cost or gain or loss on settlement, the net defined benefit liability (asset) shall be remeasured using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan and plan assets both before and after the event. The effect of the asset ceiling shall not be considered in this exercise. The effect of the asset ceiling shall be determined after the event.

The amendment also specifies that when determining current service costs and net interest on the defined benefit liability (asset) in a period in which an amendment, curtailment or settlement occurs, to apply inputs at the beginning of the reporting period for the current service cost and interest up to the date of the event, and to apply inputs as at the date of the event to determine current service costs and interest for the remainder of the period.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

##### Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

##### Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes





## Notes to the Financial Statement for the year ended December 2018

borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

### Conceptual framework for financial reporting - Revised

These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Company does not intend to adopt the amendments before its effective date and does not expect it to have a material impact on its current or future reporting periods.

### IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property

## Notes to the Financial Statement for the year ended December 2018

which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires

adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January, 2019.

The company expects to adopt the standard for the first time in the 2019 financial statements.

The impact of this standard is currently being assessed.

### 5. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

This note explains the impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers (including the amendments to IFRS 15) on the Company's financial statements.

### Transition notes - Impact on the financial statements

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognized in opening retained earnings on 1 January 2018 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. The Company has elected to adopt the provision matrix approach as a practical expedient for the calculation of expected credit loss on trade and other receivables on the adoption of IFRS 9.



## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

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

The following tables summarise the impact, net of tax, of transition to IFRS 9 and IFRS 15 for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no impact on the statement of cash flows as a result of adopting the new standards. The adjustments are explained in more detail by standard below:

|                               | At 31<br>December<br>2017<br>₹'000 | Impact of<br>IFRS 9<br>₹'000 | Impact of<br>IFRS 15<br>₹'000 | As at 1 January<br>2018<br>₹'000 |
|-------------------------------|------------------------------------|------------------------------|-------------------------------|----------------------------------|
| <b>ASSETS</b>                 |                                    |                              |                               |                                  |
| <b>Current assets</b>         |                                    |                              |                               |                                  |
| Trade and other receivables   | 5,603,540                          | (87,791)                     |                               | 5,515,749                        |
| Cash and bank balances        | 9,476,740                          | -                            |                               | 9,476,740                        |
| <b>EQUITY AND LIABILITIES</b> |                                    |                              |                               |                                  |
| <b>Equity</b>                 |                                    |                              |                               |                                  |
| Retained earnings             | 9,776,456                          | (87,791)                     |                               | 9,688,665                        |
| <b>Current liabilities</b>    |                                    |                              |                               |                                  |
| Trade and Other payables      | 14,629,955                         |                              | (1,186,993)                   | 13,442,962                       |
| Contract liability            | -                                  |                              | 1,186,993                     | 1,186,993                        |

### Application of IFRS 9 Financial Instruments

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

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the notes below. In accordance with the transitional provisions in IFRS 9, comparative figures as at 31 December 2017 have not been restated but the impact of adoption has been adjusted through opening retained earnings for the current reporting period.

### Classification and measurement

#### a) Financial assets

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

The Company's financial assets include cash and cash equivalents, trade and other receivables and other financial assets. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest.

For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which

## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

the cash and cash equivalents are domiciled.

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

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

#### b) Financial liabilities

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

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

On the date of initial application, 1 January 2018, the financial instruments of the Company were classified as follows:

|  | Classification & Measurement category |                | Gross carrying amount |            |
|--|---------------------------------------|----------------|-----------------------|------------|
|  | IAS 39                                | IFRS 9         | ₹'000                 | ₹'000      |
| <b>Current financial assets</b>          |                                       |                |                       |            |
| Trade and other receivables:             |                                       |                |                       |            |
| Trade receivables                        | L and R                               | Amortised cost | 585,116               | 585,116    |
| Amount due from related parties          | L and R                               | Amortised cost | 4,390,775             | 4,390,775  |
| Employee loans and advance               | L and R                               | Amortised cost | 30,018                | 30,018     |
| Other financial assets                   | L and R                               | Amortised cost | 468,791               | 468,791    |
| Cash and cash equivalent                 | L and R                               | Amortised cost | 9,476,740             | 9,476,740  |
| <b>Non-current financial liabilities</b> |                                       |                |                       |            |
| Borrowings                               | Amortised cost                        | Amortised cost | 38,570                | 38,570     |
| <b>Current financial liabilities</b>     |                                       |                |                       |            |
| Trade and other payables*                | Amortised cost                        | Amortised cost | 915,254               | 915,254    |
| Amount due to related parties            | Amortised cost                        | Amortised cost | 11,270,430            | 11,270,430 |

\* Trade and other payables exclude: Value Added Tax (VAT), Withholding tax (WHT), customer's deposit, other payables.

### Impairment of financial assets

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

- Trade receivables
- Amounts due from related parties (trade and non-trade)
- Employee loans
- Other financial assets and;
- Cash and cash equivalent.

The impact of the change in impairment methodology on the Company's retained earnings as at 1 January 2018 is disclosed in the table below:



## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

|  | Notes | ₹'000     |
|--|-------|-----------|
| Closing retained earnings as at 31 December 2017– IAS 39             |       | 9,776,456 |
| Increase in provision for trade receivables                          | (a)   | (70,471)  |
| Increase in provision for related parties receivables                | (b)   | (17,033)  |
| Increase in provision for employee loans                             | (c)   | (287)     |
| Total transition adjustments   |       | (87,791)  |
| Deferred tax impact on transition adjustments                        | (d)   | -         |
| Opening retained earnings as at 1 January 2018 on adoption of IFRS 9 |       | 9,688,666 |

#### a) Trade receivables

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

The provision matrix approach is based on the historical credit 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 macroeconomic variables considered include inflation, gross domestic product (GDP) and exchange rate.

The expected loss rates as at 1 January 2018 are as follows:

| Age of trade receivables | 0-3 months | 4-6 months | 6-10 months | 10-12 months | More than 12 months |
|--------------------------|------------|------------|-------------|--------------|---------------------|
|                          | ₹'000      | ₹'000      | ₹'000       | ₹'000        | ₹'000               |
| Gross carrying amount    | 571,926    | 627        | -           | -            | 12,562              |
| Default rate             | 12.3%      | 67.3%      | 84.2%       | 96.3%        | 100.0%              |
| Lifetime ECL             | (70,175)   | (421)      | -           | -            | (12,562)            |
| Total                    | 501,752    | 205        | -           | -            | -                   |

The expected loss rates as at 31 December 2018 are as follows:

| Age of trade receivables | 0-3 months | 4-6 months | 6-10 months | 10-12 months | More than 12 months |
|--------------------------|------------|------------|-------------|--------------|---------------------|
|                          | ₹'000      | ₹'000      | ₹'000       | ₹'000        | ₹'000               |
| Gross carrying amount    | 679,311    | 8,682      | 9,877       | -            | 11,393              |
| Default rate             | 4.6%       | 61.9%      | 84.6%       | 98.3%        | 100.0%              |
| Lifetime ECL             | (31,252)   | (5,373)    | (8,352)     | -            | (11,393)            |
| Total                    | 648,059    | 3,310      | 1,526       | -            | -                   |

#### b) Due from related parties (trade)

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 macroeconomic variables considered include inflation, gross domestic product (GDP) and exchange rate.

## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

The expected loss rates as at 1 January 2018 are as follows:

| Age of receivables    | 0-3 months | 4-6 months | 7-9 months | 10-12 months | More than 12 months | More than 12 *months |
|-----------------------|------------|------------|------------|--------------|---------------------|----------------------|
|                       | ₹'000      | ₹'000      | ₹'000      | ₹'000        | ₹'000               | ₹'000                |
| Gross carrying amount | 20,574     | -          | -          | -            | 12,238              | 67,287               |
| Default rate          | 28.67%     | 41.42%     | 41.49%     | 41.49%       | 49.77%              | 100%                 |
| Lifetime ECL          | (5,899)    | -          | -          | -            | (6,091)             | (67,287)             |
| Total                 | 14,674     | -          | -          | -            | 6,148               | -                    |

\*Impairment represents specifically impaired receivables from related parties

The expected loss rates as at 31 December 2018 are as follows:

| Age of receivables    | 0-3 months | 4-6 months | 7-9 months | 10-12 months | More than 12 months | More than 12 *months |
|-----------------------|------------|------------|------------|--------------|---------------------|----------------------|
|                       | ₹'000      | ₹'000      | ₹'000      | ₹'000        | ₹'000               | ₹'000                |
| Gross carrying amount | 14,961     | -          | 4,050      | -            | 14,863              | 66,871               |
| Default rate          | 26.39%     | 41.22%     | 41.29%     | 41.29%       | 50.83%              | 100%                 |
| Lifetime ECL          | (3,949)    | -          | (1,672)    | -            | (7,555)             | (66,871)             |
| Total                 | 11,012     | -          | 2,378      | -            | 7,308               | -                    |

\*Impairment represents specific impairment on some receivables from related parties.

#### c) Employee loans

Nascon provides interest free loans to its employees. The Company applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for staff loans.

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

The ECL was calculated based on actual credit loss experience from 2014, which is the date the Company initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Company considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

|                                     | 1 January 2018 |              |              |       |
|-------------------------------------|----------------|--------------|--------------|-------|
|                                     | Stage 1        | Stage 2      | Stage 3      | Total |
|                                     | 12-month ECL   | Lifetime ECL | Lifetime ECL |       |
|                                     | ₹'000          | ₹'000        | ₹'000        | ₹'000 |
| Gross EAD*                          | 6,971          | -            | -            | 6,971 |
| Loss allowance as at 1 January 2018 | (287)          | -            | -            | (287) |
| Net EAD                             | 6,684          | -            | -            | 6,684 |



## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

|                                     | 31 December 2018 |              |              |       |
|-------------------------------------|------------------|--------------|--------------|-------|
|                                     | Stage 1          | Stage 2      | Stage 3      | Total |
|                                     | 12-month         | Lifetime ECL | Lifetime ECL |       |
|                                     | ₦'000            | ₦'000        | ₦'000        | ₦'000 |
| Gross EAD*                          | 2,656            | -            | -            | 2,656 |
| Loss allowance as at 1 January 2018 | (120)            | -            | -            | (120) |
| Net EAD                             | 2,536            |              |              | 2,536 |

The parameters used to determine impairment for employee loans are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

|                             | Employee loans  |
|-----------------------------|---|
| Probability of Default (PD) | The rating of each loan facility is used to determine the PD. All facilities have been assigned a C rating with an associated year 1 PD of 7.04%.   |
| Loss Given Default          | The LGD was applied on unsecured exposures. The LGD was determined using the average Moodys average corporate recovery rate.  |
| Exposure at Default (EAD)   | EAD is an estimation of the extent to which a financial entity may be exposed to a counterparty in the event of a default and at the time of the counterparty's default.  |
|                             | The EAD at every point in time is the balance from the previous month accumulated with interest and deducted for contractual repayments.  |
| Forward Looking Information | The forecast staff attrition rate was used to determine base, optimistic and downturn scenarios.  |
| Probability weightings      | The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2006 - 2016. 89% weight was assigned to best case, 2% for optimistic and 9% for downturn. |

The Company considers both quantitative and qualitative indicators in classifying its employee loans into the relevant stages for impairment calculation.

Impairment of employee loans are recognised in three stages based on certain criteria such as:

1. Days past due
2. Credit rating at origination
3. Current credit rating
4. Expired facilities

Using the criteria stated above, a worst case staging was assigned to every facility.

Stage 1: This stage includes financial assets that are seen to not have a significant credit risk.

Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the the above mentioned criteria and other qualitative indicators such as the increase in political risk concerns or other micro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.

Stage 3: This stage includes financial assets that have been assessed as being in default (e.g. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

d) Cash and cash equivalents & other financial assets

The Company also assessed the cash, cash equivalents and other financial assets to determine their expected credit losses. Based on this assessment, they identified the expected losses as at 1 January 2018 and 31 December 2018 to be insignificant, as the loss rate is deemed immaterial. The assets are assessed to be in stage 1

Reconciliation of impairment loss on financial assets

Movements in the provision for impairment of trade, related party and employee receivables that are assessed for impairment are as follows:

|   | 2018<br>₦'000 |
|---|---------------|
| At 1 January 2018   | 74,931        |
| Impact on initial application of IFRS 9   | 87,791        |
| Adjusted balance at 1 January   | 162,722       |
| Reversal of previously recognised impairment losses on trade receivables          | (26,790)      |
| Allowance for impairment recognised during the year for related party receivables | 771           |
| Reversal of previously recognised impairment losses on staff loans                | (167)         |
| At 31 December 2018   | 136,536       |

### Application of IFRS 15 Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The adoption of the new standard requires the Company to apply the five (5)-step model for recognizing revenue. The impact of adoption on the Company's opening retained earnings at the date of initial application (i.e. 1 January 2018) and other reclassification adjustments are described below.

a) Contract liabilities.

The company accepts advances from customers for the purchase of goods. These advance payments are presented as trade and other payables. IFRS requires the company to recognise a contract liability where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer

On transition, to reflect the change in policy, customer's deposit amounting to (₦1.18 billion) has been reclassified out of trade and other payables and presented as a separate line item contract liabilities. This reclassification has no impact on retained earnings.

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

### Impact on assets, liabilities and equity as at 31 December 2017

|                                | As previously reported | IFRS 15 Adjustments | As restated |
|--------------------------------|------------------------|---------------------|-------------|
|                                | ₦'000                  | ₦'000               | ₦'000       |
| Contract liabilities (current) | -                      | (1,186,993)         | 1,186,993   |
| Trade and other payables       | 14,629,955             | 1,186,993           | 13,442,962  |

The tables below summarise the impact of adopting IFRS 15, and compares financial information for the current period with what it would have been if IFRS 15 had not been adopted.



## Notes to the Financial Statement for the year ended December 2018

### 5. Changes in accounting policy (continued)

#### Impact on assets, liabilities and equity as at 31 December 2018

|                                | As previously<br>reported<br>₦'000 | IFRS 15<br>Adjustments<br>₦'000 | As restated<br>₦'000 |
|--------------------------------|------------------------------------|---------------------------------|----------------------|
| Contract liabilities (current) | -                                  | (622,425)                       | 622,425              |
| Trade and other payables       | 14,386,630                         | 622,425                         | 13,764,205           |

### 6. Revenue from contracts with customers

|   | 2018<br>₦'000     | 2017<br>₦'000     |
|---|-------------------|-------------------|
| Sale of goods   | 21,685,346        | 23,205,584        |
| Rendering of services   | 4,084,006         | 3,858,741         |
|   | <b>25,769,352</b> | <b>27,064,325</b> |
| Revenue is recognised at a point in time  |                   |                   |
| <b>Disaggregation of revenue from contracts with customers</b>                        |                   |                   |
| The company disaggregates revenue from customers as follows:                          |                   |                   |
| <b>Sale of goods</b>  |                   |                   |
| sale of edible, refined, bulk, industrial salt as well as Seasoning and Vegetable Oil | 21,685,346        | 23,205,584        |
| <b>Rendering of services</b>  |                   |                   |
| Freight income for the deliveries of Salt and Seasoning                               | 4,084,006         | 3,858,741         |
| <b>Total revenue from contracts with customers</b>                                    | <b>25,769,352</b> | <b>27,064,325</b> |

### 7. Segmental information

The company has identified reportable segments which represent the structure used by the Management to make key operating decisions and assess performance.

The company's reportable segments are treated as operating segments which are differentiated by the activities that each undertake, the products they manufacture and the markets they operate in.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

#### Segmental revenue and results

The Management assesses the performance of the operating segments based on the measure of Gross Profit. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructure costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non recurring event. The measure also excludes the effects of unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to operating segments, as this type of activity is driven by the central treasury function. This measure is consistent with all prior periods which are presented.

The segment information provided from the Management is presented below. The information presented includes a reconciliation of the company's Gross Profit to net profit before tax and discontinued operations.

## Notes to the Financial Statement for the year ended December 2018

### 7. Segmental information (continued)

|                | Revenue            |                                     |                   |
|----------------|--------------------|-------------------------------------|-------------------|
|                | Segment<br>revenue | Segment cost<br>of sales<br>revenue | Segment<br>Profit |
|                | ₦'000              | ₦'000                               | ₦'000             |
| <b>2018</b>    |                    |                                     |                   |
| Salt           | 20,761,179         | (12,565,390)                        | 8,196,789         |
| Seasoning      | 924,167            | (839,022)                           | 85,145            |
| Freight income | 4,084,006          | (4,584,251)                         | (500,245)         |
| <b>Total</b>   | <b>25,769,352</b>  | <b>(17,988,663)</b>                 | <b>7,780,689</b>  |

|                | Revenue            |                                     |                   |
|----------------|--------------------|-------------------------------------|-------------------|
|                | Segment<br>revenue | Segment<br>cost of sales<br>revenue | Segment<br>Profit |
|                | ₦'000              | ₦'000                               | ₦'000             |
| <b>2017</b>    |                    |                                     |                   |
| Salt           | 22,247,384         | (11,620,182)                        | 10,627,202        |
| Seasoning      | 765,296            | (639,564)                           | 125,732           |
| Tomato Paste   | -                  | (32,840)                            | (32,840)          |
| Vegetable Oil  | 192,904            | (335,623)                           | (142,719)         |
| Freight income | 3,858,741          | (4,442,101)                         | (583,360)         |
| <b>Total</b>   | <b>27,064,325</b>  | <b>(17,070,310)</b>                 | <b>9,994,015</b>  |

#### Segment assets and liabilities

The amounts provided from the Management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The deferred tax assets are not considered to be segment assets and are not allocated to segments.

Capital expenditure reflects additions to non-current assets, other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts.

The amounts provided by Management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The company's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the company's treasury function.

The contingent liabilities as disclosed in note 40.1 relate to the Salt segment.

The impairment losses as disclosed in note 13 relate to Salt segments.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position.

## Notes to the Financial Statement for the year ended December 2018

### 7. Segmental information (continued)

| 2018          |                       |                            |
|---------------|-----------------------|----------------------------|
|               | Total assets<br>N'000 | Total liabilities<br>N'000 |
| Salt          | 23,314,167            | 12,658,997                 |
| Seasoning     | 1,844,495             | 129,221                    |
| Tomato Paste  | 481,527               | -                          |
| Vegetable oil | 2,088,072             | -                          |
| Freight       | 2,542,168             | 3,339,071                  |
| <b>Total</b>  | <b>30,270,429</b>     | <b>16,127,289</b>          |

#### Unallocated

|   |                   |                   |
|---|-------------------|-------------------|
| Retirement benefit obligation                       | -                 | 197,831           |
| Deferred tax  | -                 | 2,051,828         |
| <b>Total as per statement of financial position</b> | <b>30,270,429</b> | <b>18,376,948</b> |

| 2017          |                       |                            |
|---------------|-----------------------|----------------------------|
|               | Total assets<br>N'000 | Total liabilities<br>N'000 |
| Salt          | 22,286,950            | 13,659,538                 |
| Seasoning     | 1,175,305             | 180,986                    |
| Tomato Paste  | 517,862               | -                          |
| Vegetable oil | 2,245,837             | -                          |
| Freight       | 3,897,293             | 2,813,376                  |
| <b>Total</b>  | <b>30,123,247</b>     | <b>16,653,900</b>          |

#### Unallocated

|   |                   |                   |
|---|-------------------|-------------------|
| Retirement benefit obligation                       | -                 | 222,134           |
| Deferred tax  | -                 | 1,712,001         |
| <b>Total as per statement of financial position</b> | <b>30,123,247</b> | <b>18,588,035</b> |

| Geographical information | 2018<br>Revenue by<br>location of<br>customer<br>N'000 | 2017<br>Revenue by<br>location of<br>customer<br>N'000 |
|--------------------------|--|--|
| East                     | 2,160,160  | 2,297,150  |
| West                     | 5,580,289  | 5,697,629  |
| North                    | 18,028,903   | 19,069,546   |
| <b>Total</b>             | <b>25,769,352</b>                                      | <b>27,064,325</b>                                      |

## Notes to the Financial Statement for the year ended December 2018

|                             | 2018<br>N'000     | 2017<br>N'000     |
|-----------------------------|-------------------|-------------------|
| <b>8. Cost of sales</b>     |                   |                   |
| Raw materials consumed      | 10,660,808        | 10,148,410        |
| Employee costs              | 988,472           | 886,686           |
| Depreciation and impairment | 1,695,263         | 1,471,697         |
| Manufacturing expenses      | 1,207,249         | 1,170,956         |
| Loading                     | 123,883           | 107,438           |
| External haulage            | 3,312,988         | 3,285,123         |
|                             | <b>17,988,663</b> | <b>17,070,310</b> |

### 9. Investment income

#### Investments in financial assets:

|                                |                |                |
|--------------------------------|----------------|----------------|
| Bank balance                   | 434            | 671            |
| Fixed deposit                  | 381,835        | 309,776        |
| Treasury bills                 | 86,110         | 44,298         |
| <b>Total investment income</b> | <b>468,379</b> | <b>354,745</b> |

This represents short-term investment in treasury bills. The Company holds these financial assets to collect contractual cash flows when due. The contractual cash flows represent solely payments of principal and interest. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

### 10. Other income

|                 |               |               |
|-----------------|---------------|---------------|
| Sale of scrap   | 8,593         | 1,292         |
| Insurance claim | 20,672        | 10,004        |
|                 | <b>29,265</b> | <b>11,296</b> |

### 11. Other operating gains/(losses)

|  |                |                |
|--|----------------|----------------|
| Gains (losses) on disposals, scrapings and settlements |                |                |
| Property, plant and equipment                          | (150,213)      | (1,868)        |
| Foreign exchange gains (losses)                        |                |                |
| Net foreign exchange gains                             | 992,058        | -              |
| <b>Total other operating gains/(losses)</b>            | <b>841,845</b> | <b>(1,868)</b> |





## Notes to the Financial Statement for the year ended December 2018

### 12. Operating expenses

|                                     | 2018<br>N'000    | 2017<br>N'000    |
|-------------------------------------|------------------|------------------|
| <b>12.1 Distribution cost</b>       |                  |                  |
| Market activation                   | 339,336          | 177,772          |
| Branding expenses                   | 489,490          | 426,946          |
|                                     | <b>828,826</b>   | <b>604,718</b>   |
| <b>12.2 Administrative expenses</b> |                  |                  |
| Management fees                     | 105,872          | 90,839           |
| Auditors remuneration               | 17,400           | 17,400           |
| Non-audit fees                      | 8,000            | -                |
| Provision for bad debts             | -                | 42,454           |
| Bank charges                        | 36,455           | 30,513           |
| Cleaning                            | 24,971           | 21,330           |
| Consulting and professional fees    | 9,966            | 25,551           |
| Depreciation (Note 14)              | 273,186          | 208,551          |
| Amortisation (Note 14)              | -                | 47,374           |
| Directors' remuneration             | 187,755          | 170,744          |
| Employee costs (Note 17)            | 757,215          | 671,412          |
| Entertainment                       | 14,231           | 13,599           |
| Business Development                | 28,688           | 18,194           |
| Insurance                           | 37,739           | 27,431           |
| Rent and rates                      | 8,329            | 10,584           |
| Petrol and oil                      | 18,509           | 15,150           |
| Printing and stationery             | 17,668           | 14,224           |
| Repairs and maintenance             | 37,446           | 39,135           |
| Secretarial fees                    | 49,506           | 110,098          |
| Security                            | 24,264           | 23,911           |
| Staff welfare                       | 61,731           | 51,141           |
| Telephone and fax                   | 92,896           | 82,224           |
| Travel - local                      | 47,961           | 35,535           |
| Travel - overseas                   | 8,365            | 4,475            |
|                                     | <b>1,868,153</b> | <b>1,771,869</b> |

### 13. Movement in credit loss allowances

|   |                 |          |
|---|-----------------|----------|
| <b>Trade receivables</b>                                  |                 |          |
| Decrease in impairment charge on trade receivable         | (26,790)        | -        |
| <b>Related party receivables</b>                          |                 |          |
| Increase in impairment charge on intercompany receivables | 771             | -        |
| <b>Staff loans and advances</b>                           |                 |          |
| Decrease in impairment charge on Staff loans and advances | (167)           | -        |
|   | <b>(26,186)</b> | <b>-</b> |

## Notes to the Financial Statement for the year ended December 2018

### 14. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

|   | 2018<br>N'000    | 2017<br>N'000    |
|---|------------------|------------------|
| <b>Depreciation</b>                                     |                  |                  |
| Property, plant and equipment                           | 273,186          | 208,551          |
| <b>Amortisation</b>                                     |                  |                  |
| Intangible assets                                       | -                | 47,374           |
| <b>Total depreciation, amortisation and impairments</b> |                  |                  |
| Depreciation (Administrative expenses)                  | 273,186          | 208,551          |
| Depreciation and impairments                            | 1,695,263        | 1,471,697        |
| Amortisation  | -                | 47,374           |
|   | <b>1,968,449</b> | <b>1,727,622</b> |

### 15. Auditors' remuneration

|      |        |        |
|------|--------|--------|
| Fees | 17,400 | 17,400 |
|------|--------|--------|

### 16. Finance costs

|                            |          |               |
|----------------------------|----------|---------------|
| Interest on borrowings     | -        | 72,113        |
| <b>Total finance costs</b> | <b>-</b> | <b>72,113</b> |

### 17. Employee costs

The following item are included within employee benefits expense::

|  |                |                |
|--|----------------|----------------|
| Direct labour costs (Cost of sales Note 8)                     |                |                |
| Basic  | 635,602        | 541,449        |
| Medical aid - company contributions                            | 12,722         | 19,688         |
| Other payroll levies   | 4,428          | 4,073          |
| Leave pay provision charge                                     | 18,952         | 20,334         |
| Short term benefit   | 273,223        | 254,834        |
| Other short term costs   | 1,782          | 4,828          |
| Post-employment benefits - Pension - Defined contribution plan | 39,760         | 36,850         |
| Termination benefits   | 2,003          | 4,630          |
| <b>Direct labour costs (Cost of sales Note 8)</b>              | <b>988,472</b> | <b>886,686</b> |
| Indirect employee costs  |                |                |
| Basic  | 422,368        | 351,597        |
| Bonus  | 84,928         | 104,038        |
| Medical aid - company contributions                            | 2,648          | 4,900          |
| Other payroll levies   | 17,974         | 14,918         |
| Leave pay provision charge                                     | 18,489         | 13,259         |
| Short term benefit   | 160,290        | 128,862        |
| Other short term costs   | 22,195         | 31,061         |
| Post-employment benefits - Pension - Defined contribution plan | 27,813         | 22,366         |
| Termination benefits   | 510            | 411            |
| <b>Admin expenses (Note 12)</b>                                | <b>757,215</b> | <b>671,412</b> |



## Notes to the Financial Statement for the year ended December 2018

### 17. Employee costs (continued)

|                             | 2018<br>N'000    | 2017<br>N'000    |
|-----------------------------|------------------|------------------|
| <b>Total employee costs</b> |                  |                  |
| Direct employee costs       | 988,472          | 886,686          |
| Indirect employee costs     | 757,215          | 671,412          |
|                             | <b>1,745,687</b> | <b>1,558,098</b> |

### Average number of persons employed during the year

|              | Number     | Number     |
|--------------|------------|------------|
| Management   | 39         | 40         |
| Senior staff | 176        | 170        |
| Junior staff | 309        | 337        |
|              | <b>524</b> | <b>547</b> |

The table below shows the number of employees (excluding Directors), whose earnings during the year, fell within the ranges shown below in thousand:

|                  |            |            |
|------------------|------------|------------|
| N0 - N5,000      | 508        | 530        |
| N5,001 - N10,000 | 16         | 17         |
|                  | <b>524</b> | <b>547</b> |

### 18. Taxation

#### Major components of the tax expense

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| <b>Current</b>                       |                  |                  |
| Local income tax                     | 1,536,678        | 1,805,645        |
| Education tax                        | 152,654          | 192,131          |
| Capital gain tax                     | 8                | -                |
|                                      | <b>1,689,340</b> | <b>1,997,776</b> |
| <b>Deferred</b>                      |                  |                  |
| In respect of current year (Note 19) | 339,828          | 568,120          |
|                                      | <b>2,029,168</b> | <b>2,565,896</b> |

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 and the Education Tax Act CAP E4, LFN 2004. Company tax and education tax is calculated at 30% and 2% respectively of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

## Notes to the Financial Statement for the year ended December 2018

### 18. Taxation (continued)

|   | 2018<br>N'000    | 2017<br>N'000    |
|---|------------------|------------------|
| <b>Reconciliation of the tax expense</b>  |                  |                  |
| Reconciliation between accounting profit and tax expense.   |                  |                  |
| <b>Profit before tax from continuing operations</b>   | <b>6,449,385</b> | <b>7,909,488</b> |
| Tax at the applicable tax rate of 30% (2017: 30%)   | 1,934,816        | 2,372,846        |
| Education tax rate of 2% (2017: 2%)   | 152,654          | 192,131          |
| <b>Tax effect of adjustments on taxable income</b>  |                  |                  |
| Effect of concessions (research and development and other allowances)   | (44,004)         | (10,133)         |
| Effect of income that is exempt from taxation   | (25,817)         | -                |
| Effect of Capital gains tax   | 8                | -                |
| Additional assessment from tax audit  | -                | 11,351           |
| Effect of Capital gains tax @10% on disposal of assets  | (24)             | -                |
| Adjustments recognised in the current year (Retained earnings) in relation to the deferred tax of prior years | (5,451)          | (299)            |
| Adjustments recognised in the current year in relation to the deferred tax of prior years                     | 16,986           | -                |
|   | <b>2,029,168</b> | <b>2,565,896</b> |

There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets is recognised in the statement of financial position.

#### Current tax liabilities in the statement of financial position

|                         |                  |                  |
|-------------------------|------------------|------------------|
| 1 January 2018          | 1,985,375        | 872,225          |
| Charge for the year     | 1,689,340        | 1,997,776        |
| Payment during the year | (1,972,626)      | (884,626)        |
| <b>31 December 2018</b> | <b>1,702,089</b> | <b>1,985,375</b> |





## Notes to the Financial Statement for the year ended December 2018

### 19. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

|   | 2018<br>N'000      | 2017<br>N'000      |
|---|--------------------|--------------------|
| Deferred tax liability                                    | (2,160,474)        | (1,820,647)        |
| Deferred tax asset  | 108,646            | 108,646            |
| <b>Total net deferred tax liability</b>                   | <b>(2,051,828)</b> | <b>(1,712,001)</b> |
| <b>Reconciliation of deferred tax asset / (liability)</b> |                    |                    |
| 1 January 2018  | (1,712,001)        | (1,143,882)        |
| Temporary difference movement in the year                 | (339,827)          | (568,119)          |
| <b>31 December 2018</b>                                   | <b>(2,051,828)</b> | <b>(1,712,001)</b> |

#### Analysis of deferred tax is made up of

| 31 December 2018<br>Deferred tax (asset) or liability in relation to: | At 1 January<br>2018<br>N'000 | Recognize in<br>profit or loss<br>N'000 | Recognize<br>in other<br>comprehensive<br>income<br>N'000 | At 31<br>December<br>2018<br>N'000 |
|---|-------------------------------|---|---|------------------------------------|
| Property, plant and equipment   | 1,820,647                     | 73,504                                  |   | 1,894,151                          |
| Allowance for doubtful debt   | (108,646)                     | 2,079                                   |   | (106,567)                          |
| Unrealised Exchange Difference  | -                             | 264,244                                 |   | 264,244                            |
|   | <b>1,712,001</b>              | <b>339,827</b>                          | <b>-</b>  | <b>2,051,828</b>                   |

| 31 December 2017<br>Deferred tax (asset) or liability in relation to: | At 1 January<br>2017<br>N'000 | Recognize in<br>profit or loss<br>N'000 | Recognize<br>in other<br>comprehensive<br>income<br>N'000 | At 31<br>December<br>2017<br>N'000 |
|---|-------------------------------|---|---|------------------------------------|
| Property, plant and equipment   | 1,247,742                     | 572,905                                 | -   | 1,820,647                          |
| Allowance for doubtful debt   | (103,861)                     | (4,785)                                 | -   | (108,646)                          |
|   | <b>1,143,881</b>              | <b>568,120</b>                          | <b>-</b>  | <b>1,712,001</b>                   |

### 20. Earnings per share

#### Basic earnings per share

|   |     |     |
|---|-----|-----|
| From continuing operations (kobo per share) | 167 | 202 |
|---|-----|-----|

#### Reconciliation of profit or loss for the year to basic earnings

|   | N'000            | N'000            |
|---|------------------|------------------|
| Profit or loss for the year attributable to equity holders          | 4,420,217        | 5,343,592        |
|   | <b>4,420,217</b> | <b>5,343,592</b> |
| Weighted average number of ordinary shares as at 31 December ('000) | 2,649,438        | 2,649,438        |

The Company has no potentially dilutive shares. Accordingly, The basic EPS and diluted EPS have the same values.

## Notes to the Financial Statement for the year ended December 2018

### 21. Property, plant and equipment

|                                 | Freehold<br>land and<br>buildings<br>N'000 | Tools and<br>equipment<br>N'000 | Plant and<br>machinery<br>N'000 | Furniture<br>and<br>fittings<br>N'000 | Motor<br>vehicles<br>N'000 | Computer<br>equipment<br>N'000 | Capital<br>work-in-<br>progress<br>N'000 | Total<br>N'000    |
|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------------|----------------------------|--------------------------------|--|-------------------|
| <b>Cost</b>                     |  |                                 |                                 |                                       |                            |                                |  |                   |
| Balance at                      |  |                                 |                                 |                                       |                            |                                |  |                   |
| 1 January 2017                  | 1,385,262                                  | 264,930                         | 4,978,805                       | 119,257                               | 2,634,112                  | 92,960                         | 420,953                                  | 9,896,279         |
| Addition                        | 30,192                                     | 130,225                         | 95,926                          | 12,263                                | 4,469,949                  | 24,784                         | 52,023                                   | 4,815,362         |
| Disposal                        | -  | -                               | -                               | (3,820)                               | (22,382)                   | -                              | -  | (26,202)          |
| Reclassification                | 1,113                                      | 5,404                           | 81,454                          | -                                     | -                          | -                              | (87,971)                                 | -                 |
| Adjustments                     | -  | -                               | -                               | -                                     | -                          | -                              | (55,683)                                 | (55,683)          |
| Balance at                      |  |                                 |                                 |                                       |                            |                                |  |                   |
| 31 December 2017                | 1,416,567                                  | 400,559                         | 5,156,185                       | 127,700                               | 7,081,679                  | 117,744                        | 329,322                                  | 14,629,756        |
| Addition                        | 20,758                                     | 124,943                         | 1,298,603                       | 27,987                                | 550,040                    | 17,721                         | 2,386,735                                | 4,426,787         |
| Disposal                        | (497)                                      | (28,475)                        | (326,600)                       | (1)                                   | (334,888)                  | -                              | -  | (690,461)         |
| Reclassification                | 26,483                                     | -                               | 25,539                          | -                                     | -                          | -                              | (52,022)                                 | -                 |
| Adjustments                     | -  | -                               | -                               | -                                     | (22,778)                   | -                              | -  | (22,778)          |
| <b>Balance at</b>               |  |                                 |                                 |                                       |                            |                                |  |                   |
| <b>31 December 2018</b>         | <b>1,463,311</b>                           | <b>497,027</b>                  | <b>6,153,727</b>                | <b>155,686</b>                        | <b>7,274,053</b>           | <b>135,465</b>                 | <b>2,664,035</b>                         | <b>18,343,304</b> |
| <b>Accumulated depreciation</b> |  |                                 |                                 |                                       |                            |                                |  |                   |
| Balance at                      |  |                                 |                                 |                                       |                            |                                |  |                   |
| 1 January 2017                  | 107,656                                    | 67,559                          | 1,413,163                       | 70,714                                | 1,824,160                  | 66,339                         | -  | 3,549,591         |
| Charge for the year             | 28,013                                     | 74,789                          | 345,137                         | 14,221                                | 1,199,950                  | 18,138                         | -  | 1,680,248         |
| Disposal                        | -  | -                               | -                               | (2,538)                               | (16,748)                   | -                              | -  | (19,286)          |
| Balance at                      |  |                                 |                                 |                                       |                            |                                |  |                   |
| 31 December 2017                | 135,669                                    | 142,348                         | 1,758,300                       | 82,397                                | 3,007,362                  | 84,477                         | -  | 5,210,553         |
| Charge for the year             | 28,484                                     | 101,983                         | 395,516                         | 17,461                                | 1,405,512                  | 19,493                         | -  | 1,968,449         |
| Disposal                        | (105)                                      | (17,477)                        | (176,397)                       | (1)                                   | (324,223)                  | -                              | -  | (518,203)         |
| Adjustment                      | -  | -                               | -                               | -                                     | (22,778)                   | -                              | -  | (22,778)          |
| <b>Balance at</b>               |  |                                 |                                 |                                       |                            |                                |  |                   |
| <b>31 December 2018</b>         | <b>164,048</b>                             | <b>226,854</b>                  | <b>1,977,419</b>                | <b>99,857</b>                         | <b>4,065,873</b>           | <b>103,970</b>                 | <b>-</b>                                 | <b>6,638,021</b>  |
| <b>Carrying amount</b>          |  |                                 |                                 |                                       |                            |                                |  |                   |
| <b>Balance as at</b>            |  |                                 |                                 |                                       |                            |                                |  |                   |
| <b>31 December 2018</b>         | <b>1,299,263</b>                           | <b>270,173</b>                  | <b>4,176,308</b>                | <b>55,829</b>                         | <b>3,208,180</b>           | <b>31,495</b>                  | <b>2,664,035</b>                         | <b>11,705,283</b> |
| Balance as at                   |  |                                 |                                 |                                       |                            |                                |  |                   |
| 31 December 2017                | 1,280,898                                  | 258,211                         | 3,397,885                       | 45,303                                | 4,074,317                  | 33,267                         | 329,322                                  | 9,419,203         |

## Notes to the Financial Statement for the year ended December 2018

### 21.1 Capital work-in-progress

Work-in-progress comprises amounts expended on Salt village refinery project and Vegetable Oil tank farm in Apapa.

### 21.2 Adjustments to Capital work-in-progress

In the current year there was no adjustment to capital work-in-progress.

### 21.3 Adjustments to Motor vehicles

The adjustment represents the correction of the cost and accumulated depreciation on assets acquired in 2017. This has no impact on the NBV and retained earnings.

### 21.4 Asset pledged as security

None of the Company's assets were pledged as security for any liabilities as at 31 December 2018 (2017: Nil)

### 21.5 Impairment Assessment

Included in Property, Plant and Equipment is a balance of ₦2.56 billion (2017: ₦2.75 billion) relating to the Vegetable Oil and Tomato paste plants. The Plants were not in use during the year. An impairment assessment was carried out on the plants. There was no impairment gain or loss recognised as at 31 December 2018 (2017: Nil)

## Notes to the Financial Statement for the year ended December 2018

### 22. Other assets

|                     | 2018<br>₦'000    | 2017<br>₦'000    |
|---------------------|------------------|------------------|
| <b>Prepayments:</b> |                  |                  |
| Rent prepaid        | 174,199          | 24,251           |
| Insurance prepaid   | 3,909            | 1,425            |
| Prepayment-Others   | -                | 9,354            |
| Deposit for import  | 2,107,374        | 2,103,156        |
|                     | <b>2,285,482</b> | <b>2,138,186</b> |
| Non - current       | -                | 1,838            |
| Current             | 2,285,482        | 2,136,348        |
|                     | <b>2,285,482</b> | <b>2,138,186</b> |

### 23. Inventories

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Raw materials               | 3,321,924        | 1,851,369        |
| Work in progress            | 17,913           | -                |
| Finished goods              | 250,389          | 237,716          |
| Spare parts and consumables | 219,570          | 491,044          |
| Oil and lubricants          | 64,211           | 51,951           |
| Packaging materials         | 496,372          | 384,707          |
|                             | <b>4,370,379</b> | <b>3,016,787</b> |

During the year, there were no inventory written down/reversal to net realisable value.

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₦10.378 billion (2017: ₦10.148 billion).

### 23.1 Inventory pledged as security

No inventory was pledged as security for any liability (2017: Nil)

### 24. Trade and other receivables

#### Financial instruments:

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Trade receivables                   | 709,263   | 585,116   |
| Trade receivables - related parties | 7,746,359 | 4,453,018 |
| Loss allowance                      | (136,536) | (74,931)  |
| Trade receivables at amortised cost | 8,319,086 | 4,963,203 |
| Other receivables                   | 556,420   | 610,319   |

#### Non-financial instruments:

|  |                  |                  |
|--|------------------|------------------|
| Employee costs in advance                | 12,370           | 30,018           |
| <b>Total trade and other receivables</b> | <b>8,887,876</b> | <b>5,603,540</b> |

#### Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

|                           |                  |                  |
|---------------------------|------------------|------------------|
| At amortised cost         | 8,875,506        | 5,573,522        |
| Non-financial instruments | 12,370           | 30,018           |
|                           | <b>8,887,876</b> | <b>5,603,540</b> |





## Notes to the Financial Statement for the year ended December 2018

### 24. Trade and other receivables(continued)

#### Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The loss allowance provision is determined as follows:

|   | 2018                                       | 2018   | 2017                                       | 2017   |
|---|--|--|--|--|
| Expected credit loss rate:                          | Estimated gross carrying amount at default | Loss allowance (Lifetime expected credit loss) | Estimated gross carrying amount at default | Loss allowance (Lifetime expected credit loss) |
|   | ₦'000                                      | ₦'000  | ₦'000                                      | ₦'000  |
| <b>Trade Receivables</b>                            |  |  |  |  |
| Outstanding for 0 - 3 months: 4.6% (2017: 12.3%)    | 679,311                                    | (31,252)                                       | 571,928                                    | (70,175)                                       |
| Outstanding for 4 - 6 months: 61.9% (2017: 67.3%)   | 8,682                                      | (5,373)  | 626  | (421)  |
| Outstanding for 7 - 9 months: 84.2% (2017: 84.6%)   | 9,877                                      | (8,352)  | -  | -  |
| Outstanding for 10 - 12 months: 96.3% (2017: 98.3%) | -  | -  | -  | -  |
| Outstanding over 1 year: 100% (2017: 100%)          | 11,393                                     | (11,393)                                       | 12,562                                     | (12,562)                                       |
|   | <b>709,263</b>                             | <b>(56,370)</b>                                | <b>585,116</b>                             | <b>(83,158)</b>                                |

#### Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

|   |  |                  |                 |
|---|--|------------------|-----------------|
| <b>Opening balance in accordance with IAS 39 Financial Instruments:</b> |  |                  |                 |
| <b>Recognition and Measurement</b>                                      |  | <b>(74,931)</b>  | <b>-</b>        |
| Adjustments upon application of IFRS 9                                  |  | (87,791)         | -               |
| <b>Opening balance in accordance with IFRS 9</b>                        |  | <b>(162,722)</b> | <b>(74,931)</b> |
| Provision raised on new trade receivable                                |  | (771)            | -               |
| Provisions reversed on settled trade receivables                        |  | 26,957           | -               |
| <b>Closing balance</b>  |  | <b>(136,536)</b> | <b>(74,931)</b> |

#### The reconciliation of gross carrying amount for NASCON is as follows:

|  |                  |                  |
|--|------------------|------------------|
| Gross carrying amount as at 1 January          | 5,038,134        | 9,745,773        |
| Revenue from third parties                     | 25,769,352       | 27,664,325       |
| Receipts from third parties                    | (24,869,804)     | (26,765,045)     |
| Rebates receivable from related party          | 2,517,940        | 2,687,916        |
| Rebates received from related party            | -                | (8,294,834)      |
| <b>Gross carrying amount as at 31 December</b> | <b>8,455,622</b> | <b>5,038,135</b> |

### 25. Other financial assets

#### Securities held at amortised cost

|   |         |         |
|---|---------|---------|
| Treasury bills with maturity of less than 90 days | 433,433 | 468,791 |
|---|---------|---------|

#### Current assets

|                                   |         |         |
|-----------------------------------|---------|---------|
| Securities held at amortised cost | 433,433 | 468,791 |
|-----------------------------------|---------|---------|

## Notes to the Financial Statement for the year ended December 2018

### 26. Cash and cash equivalents

|                                       | 2018             | 2017             |
|---------------------------------------|------------------|------------------|
|                                       | ₦'000            | ₦'000            |
| Cash and cash equivalents consist of: |                  |                  |
| Cash on hand                          | 3,345            | 7,495            |
| Bank balances                         | 2,584,631        | 9,469,245        |
|                                       | <b>2,587,976</b> | <b>9,476,740</b> |

### 27. Share capital

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | ₦'000     | ₦'000     |
| <b>Authorised</b>                         |           |           |
| 4,000,000,000 Ordinary shares of 50k each | 2,000,000 | 2,000,000 |
| <b>Issued and fully paid</b>              |           |           |
| 2,649,438,378 ordinary shares of 50k each | 1,324,719 | 1,324,719 |

### 28. Share premium

|               |         |         |
|---------------|---------|---------|
| <b>Issued</b> |         |         |
| Share premium | 434,037 | 434,037 |

### 29. Retained earnings

|                            |                   |                  |
|----------------------------|-------------------|------------------|
| 1 January 2018             | 9,688,665         | 6,287,471        |
| Profit for the year        | 4,420,217         | 5,343,592        |
| Dividend declared and paid | (3,974,158)       | (1,854,607)      |
| <b>31 December 2018</b>    | <b>10,134,724</b> | <b>9,776,456</b> |

At the Annual General Meeting held on 3 May 2018, the shareholders approved that dividend of 150k amounting to ₦3.974 billion be paid to shareholders for the year ended 31 December 2017. In respect of the current year, the Directors' propose that a dividend of 100k per ordinary share be paid to shareholders. The dividend is subject to approval by shareholders at the Annual General Meeting and deduction of withholding tax at the appropriate rate. Consequently, it has not been included as a liability in these financial statements. The total estimated dividend to be paid is ₦2.65 billion

### 30. Dividend payable

|                                |             |             |
|--------------------------------|-------------|-------------|
| 1 January 2018                 | -           | -           |
| Dividend declared              | 3,974,158   | 1,854,607   |
| Payments - Meristem Registrars | (3,974,158) | (1,854,607) |
| <b>31 December 2018</b>        | <b>-</b>    | <b>-</b>    |

## Notes to the Financial Statement for the year ended December 2018

### 31. Other liabilities

|                        | 2018<br>₦'000 | 2017<br>₦'000 |
|------------------------|---------------|---------------|
| Held at amortised cost | 38,570        | 38,570        |
| Government grant       |               |               |

At the time of privatisation in 1992, the debt owed the Federal Government of Nigeria, by the Company was restructured by the Bureau for Public Enterprise. The Board of Directors has taken steps to obtain a waiver of the loan from the Federal Government of Nigeria.

### 32. Retirement benefits obligation

#### 32.1 Movement in gratuity

|                         |                |                |
|-------------------------|----------------|----------------|
| 1 January 2018          | 222,134        | 249,635        |
| Current service cost    | -              | -              |
| Benefit paid out        | (24,303)       | (27,501)       |
| <b>31 December 2018</b> | <b>197,831</b> | <b>222,134</b> |

The entity was operating a defined benefit for its permanent Nigerian staff, the benefits under which are related to employees' length of service and final remuneration.

However, the Board resolved to eliminate the scheme effective January 2013. The balance as at 31 December, 2018 represent what is owned to staff who are still in the service from the old scheme.

As at December 31, 2018 no fund has been set up from which payments can be disbursed.

### Defined contribution plan

The employees of the company are members of a state arranged Pension Reform Act of 2014. The assets of the plans are held separately from those of the Company and managed by Pension Fund Administrators. The scheme is funded in accordance with the Pension Reform Act of 2014 with the employee and employer contribution representing 8% and 10% respectively of the employee's relevant emoluments effective July 2014

#### Staff pension

|                               |           |           |
|-------------------------------|-----------|-----------|
| 1 January 2018                | -         | 8,317     |
| Contributions during the year | 123,957   | 135,078   |
| Remittance in the year        | (123,957) | (143,395) |
| <b>31 December 2018</b>       | <b>-</b>  | <b>-</b>  |

The only obligation of the Company with respect to the pension scheme is to make the specified contributions. The total expense recognised in profit or loss of ₦68.86 million (2017: ₦75.04 million) represents contributions payable to this plan by the Company as at 31 December 2018.

## Notes to the Financial Statement for the year ended December 2018

### 33. Trade and other payables

|  | 2018<br>₦'000     | 2017<br>₦'000     |
|--|-------------------|-------------------|
| <b>Financial instruments:</b>              |                   |                   |
| Trade payables                             | 2,114,129         | 440,663           |
| Amounts due to related parties (Note 38.1) | 10,465,580        | 11,270,430        |
| Withholding tax payable                    | 39,945            | 18,181            |
| Unclaimed dividend                         | 433,433           | 468,791           |
| Accrued audit fees                         | 17,400            | 5,800             |
| Accrued expenses                           | 628,696           | 1,168,054         |
| Other payables                             | 24,113            | 22,401            |
| <b>Non-financial instruments:</b>          |                   |                   |
| Value added tax                            | 40,910            | 48,642            |
|  | <b>13,764,206</b> | <b>13,442,962</b> |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables. The Directors consider that the carrying amount of trade payables approximates to the fair value.

### 34. Contract liabilities

#### Summary of contract liabilities

|  |                |                  |
|--|----------------|------------------|
| Sales of finished goods  | 622,425        | 1,186,993        |
| <b>Reconciliation of contract liabilities</b>                        |                |                  |
| Opening balance  | 1,186,993      | 2,890,342        |
| Revenue recognised on delivery of goods/services previously paid for | (1,186,993)    | (2,890,342)      |
| Payments received in advance of delivery of performance obligations  | 622,425        | 1,186,993        |
|  | <b>622,425</b> | <b>1,186,993</b> |

### 35. Reconciliation of cash generated from operations

|   |                  |                   |
|---|------------------|-------------------|
| Profit before taxation  | 6,449,385        | 7,909,488         |
| <b>Adjustments for:</b>   |                  |                   |
| Depreciation (Note 21)  | 1,968,449        | 1,680,248         |
| Amortisation (Note 14)  | -                | 47,374            |
| Losses on disposals of property, plant and equipments (Note 11) | 150,213          | 1,868             |
| Investment income (Note 9)                                      | (468,379)        | (354,745)         |
| Finance costs (Note 16)   | -                | 72,113            |
| Allowance for doubtful debt                                     | -                | 42,454            |
| PPE Adjustment (Note 21.2)                                      | -                | 55,682            |
| Impairment charges/(reversal) for credit losses (Note 13)       | (26,186)         | -                 |
| <b>Changes in working capital:</b>                              |                  |                   |
| Inventories   | (1,353,592)      | (296,555)         |
| Trade and other receivables                                     | (3,345,942)      | 4,532,759         |
| Prepayments   | (147,296)        | 679,967           |
| Trade and other payables  | 321,244          | 2,080,576         |
| Contract liabilities  | (564,568)        | (1,703,349)       |
|   | <b>2,983,328</b> | <b>14,747,880</b> |





## Notes to the Financial Statement for the year ended December 2018

### 36. Financial instruments and risk management

#### 36.1 Capital risk management

The capital structure of the company consists of net debt (which includes the borrowings disclosed in (Note 31), offset by cash and bank balances and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in relevant notes in the financial statements. The company monitors its capital structure to ensure that the target debt equity ratio as stated in its debt covenants is not exceeded. The Company is not subject to any externally imposed capital requirements.

The capital structure and gearing ratio of the company at the reporting date was as follows:

|                           |    | 2018<br>N'000     | 2017<br>N'000     |
|---------------------------|----|-------------------|-------------------|
| Other liabilities         | 31 | 38,570            | 38,570            |
| Trade and other payables  | 33 | 13,764,206        | 13,442,962        |
| <b>Total debts</b>        |    | <b>13,802,776</b> | <b>13,481,532</b> |
| Cash and cash equivalents | 26 | (2,587,976)       | (9,476,740)       |
| <b>Net debts</b>          |    | <b>11,214,800</b> | <b>4,004,792</b>  |
| Equity                    |    | 11,893,480        | 11,535,212        |
| Gearing ratio             |    | 94 %              | 35 %              |

#### 36.2 Financial risk management

Risk management roles and responsibilities are assigned to stakeholders in the Company at three levels: The Board, Executive Committee and Line Managers.

The Board oversight is performed by the Board of Directors' through the Finance and Establishment Committee.

The second level is performed by the Executive Management Committee (EXCO).

The third level is performed by all line managers under EXCO and their direct reports. They are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Internal Audit Department provides an independent assurance of the risk framework. They assess compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors.

The Company monitors and manages financial risks relating to its operations through an internal risk report which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

#### 36.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparty and obtaining sufficient collateral where appropriate (bank guaranties and insurance bonds), as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information, customers' financial position, past trading relationship, its own trading records and other factors to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management team periodically.

## Notes to the Financial Statement for the year ended December 2018

### 36. Financial instruments and risk management(continued)

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased.

About 86% of the trade receivables are due from Bulk Commodities Limited, a related party, for rebate on purchase of Salt. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are otherwise diverse including both corporate entities and lots of individual end users. The requirement for impairment is analyzed at each reporting date on an individual basis for corporate and individual customers.

The maximum exposure to credit risk is presented in the table below:

|                             |    | 2018                  |                       |                             | 2017                  |                       |                             |
|-----------------------------|----|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------------|
|                             |    | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
|                             |    | N'000                 | N'000                 | N'000                       | N'000                 | N'000                 | N'000                       |
| Trade and other receivables | 24 | 9,012,042             | (136,536)             | 8,875,506                   | 5,648,453             | (74,931)              | 5,573,522                   |
| Cash and cash equivalents   | 26 | 2,613,779             | -                     | 2,613,779                   | 9,526,498             | -                     | 9,526,498                   |
|                             |    | <b>11,625,821</b>     | <b>(136,536)</b>      | <b>11,489,285</b>           | <b>15,174,951</b>     | <b>(74,931)</b>       | <b>15,100,020</b>           |

#### 36.4 Deposit with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the company's treasury department in accordance with its corporate treasury policy that spells out counterparty limits, list of financial institutions that the company deals with and the maximum tenure of fixed term funds. Surplus funds are spread amongst these institutions and funds must be within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Corporate Treasurer periodically and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through the potential counterparty's failure.

#### 36.5 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short- medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the statement of financial position date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

## Notes to the Financial Statement for the year ended December 2018

### 36. Financial instruments and risk management(continued)

#### 2018

|                                | Note(s) | 0-3 months<br>₦'000 | 3-6 months<br>₦'000 | Total<br>₦'000    | Carrying<br>amount<br>₦'000 |
|--------------------------------|---------|---------------------|---------------------|-------------------|-----------------------------|
| <b>Non-current liabilities</b> |         |                     |                     |                   |                             |
| Other liabilities              | 31      | -                   | 38,570              | 38,570            | 38,570                      |
|                                |         | -                   | <b>38,570</b>       | <b>38,570</b>     | <b>38,570</b>               |
| <b>Current liabilities</b>     |         |                     |                     |                   |                             |
| Trade and other payables       | 33      | 8,606,096           | 5,117,200           | 13,723,296        | 13,723,296                  |
|                                |         | <b>8,606,096</b>    | <b>5,117,200</b>    | <b>13,723,296</b> | <b>13,723,296</b>           |
|                                |         | <b>8,606,096</b>    | <b>5,155,770</b>    | <b>13,761,866</b> | <b>13,761,866</b>           |

#### 2017

|                                | Note(s) | 0-3 months<br>₦'000 | 3-6 months<br>₦'000 | Total<br>₦'000    | Carrying<br>amount<br>₦'000 |
|--------------------------------|---------|---------------------|---------------------|-------------------|-----------------------------|
| <b>Non-current liabilities</b> |         |                     |                     |                   |                             |
| Borrowings                     | 31      | -                   | 38,570              | 38,570            | 38,570                      |
|                                |         | -                   | <b>38,570</b>       | <b>38,570</b>     | <b>38,570</b>               |
| <b>Current liabilities</b>     |         |                     |                     |                   |                             |
| Trade and other payables       | 33      | 7,365,196           | 6,029,124           | 13,394,320        | 13,394,320                  |
|                                |         | <b>7,365,196</b>    | <b>6,029,124</b>    | <b>13,394,320</b> | <b>13,394,320</b>           |
|                                |         | <b>7,365,196</b>    | <b>6,067,694</b>    | <b>13,432,890</b> | <b>13,432,890</b>           |

## Notes to the Financial Statement for the year ended December 2018

### 36.6 Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company is mainly exposed to USD. It monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their holdings of financial instruments.

#### 36.6.1 Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

|                               | 2018<br>₦'000  | 2017<br>₦'000 |
|-------------------------------|----------------|---------------|
| <b>US Dollar exposure:</b>    |                |               |
| <b>Current assets:</b>        |                |               |
| Trade and other receivables   | 7,647,913      | 4,779,249     |
| <b>Current liabilities:</b>   |                |               |
| Trade and other payables      | (6,885,013)    | (4,746,740)   |
| <b>Net US Dollar exposure</b> | <b>762,900</b> | <b>32,509</b> |

#### 36.6.2 Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 3%, increase and decrease in Naira against USD currency.

Management believes that a 3% movement in either direction is reasonably possible at the statement of financial position date. The sensitivity analyses below include outstanding balances of USD denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 3% against the USD. For a 3% weakening of Naira against the USD there would be an equal and opposite impact on profit, and the balances below would be negative.

#### Impact on profit or loss:

|   | 2018<br>₦'000 | 2017<br>₦'000 |
|---|---------------|---------------|
| Naira strengthens by 3% against the US dollar Profit / (loss) | 22,887        | 975           |
| Naira weakens by 3% against the US dollar Profit / (loss)     | (22,887)      | (975)         |
|   | -             | -             |

### 36.7 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it does not have either floating or fixed interest bearing financial liabilities outstanding as the reporting date. Its cash and cash equivalents with financial institutions have fixed interest rates.



## Notes to the Financial Statement for the year ended December 2018

### 37. Fair value information

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values

|                              | Book value    |               | Fair value    |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2018<br>N'000 | 2017<br>N'000 | 2018<br>N'000 | 2017<br>N'000 |
| <b>Financial asset</b>       |               |               |               |               |
| Trade and other receivables  | 8,887,876     | 5,603,540     | 8,887,876     | 5,603,540     |
| Cash and bank                | 2,587,976     | 9,476,740     | 2,587,976     | 9,476,740     |
| <b>Financial liabilities</b> |               |               |               |               |
| Trade and other payables     | 13,764,206    | 13,442,962    | 13,764,206    | 13,442,962    |
| Other liabilities            | 38,570        | 38,570        | 38,570        | 38,570        |

The book value of the trade and other receivables is arrived at by factoring allowances for doubtful debts on trade receivables and other receivables.

The carrying amount of bank overdrafts and loans is approximately equal to their fair value.

## Notes to the Financial Statement for the year ended December 2018

### 38. Related parties

#### 38.1 Related party balances

|  | 2018<br>N'000    | 2017<br>N'000    |
|--|------------------|------------------|
| <b>Intercompany receivables</b>        |                  |                  |
| <b>Other related party receivables</b> |                  |                  |
| Dangote Pasta Limited                  | 18,022           | 7,918            |
| Dangote Sugar Refineries               | -                | 13,250           |
| Dangote Noodles Limited                | 4,628            | 5,044            |
| Dangote Head office                    | -                | 5,118            |
| Dangote Cement                         | 3,884            | 2,206            |
| Dangote Cement - Gboko                 | 4,050            | 4,320            |
| DANCOM                                 | 5,619            | -                |
| West African Popular Foods             | 62,243           | 62,243           |
| Bulk Commodities Ltd                   | 7,647,913        | 4,352,919        |
|  | <b>7,746,359</b> | <b>4,453,018</b> |

#### Intercompany payables

##### Parent and ultimate controlling party

|                                     |         |           |
|-------------------------------------|---------|-----------|
| Dangote Industries Limited (Parent) | 804,959 | 3,843,262 |
|-------------------------------------|---------|-----------|

##### Other related party payables

|  |                   |                   |
|--|-------------------|-------------------|
| Green view Development Company Limited | 5,932             | 7,220             |
| Dansa Foods Limited                    | 113,302           | 300               |
| Dangote Cement                         | 24,194            | 24,194            |
| Dangote Flour                          | 14,600            | 19,108            |
| Agrosack Ltd                           | 36,506            | 33,271            |
| Dangote Transport                      | 22,962            | 22,962            |
| Central TPT Parts Store                | 176,945           | 75,977            |
| Dangote Head office                    | 2,535,367         | 2,514,113         |
| Dangote Refinery                       | 14,711            | 14,711            |
| Benue Cement                           | 77,602            | 81,922            |
| Benue Cement-Truck scheme              | 54,398            | 54,398            |
| DANCOM                                 | -                 | 1,451             |
| Bulk Commodities Ltd                   | 6,584,102         | 4,577,541         |
|  | <b>10,465,580</b> | <b>11,270,430</b> |

## Notes to the Financial Statement for the year ended December 2018

### 38.2 Purchases, sales, promotional support, other services and dividend

|  | Transaction Value   |                     | Balance due (to)/from |                     |
|--|---------------------|---------------------|-----------------------|---------------------|
|  | 2018<br>₦'000       | 2017<br>₦'000       | 2018<br>₦'000         | 2017<br>₦'000       |
| <b>Purchases, promotional support and other services</b> |                     |                     |                       |                     |
| Ultimate parent  | (35,000)            | (1,351,535)         | (804,959)             | (3,843,262)         |
| Other related parties                                    | (10,348,724)        | (15,682,506)        | (9,660,621)           | (7,425,717)         |
| <b>Technical services fees</b>                           |                     |                     |                       |                     |
| Other related parties                                    | 180,458             | 178,416             | -                     | (1,451)             |
| <b>Dividend payable</b>                                  |                     |                     |                       |                     |
| Other related parties                                    | (2,471,645)         | (1,153,434)         | -                     | -                   |
|  | <b>(12,674,911)</b> | <b>(18,009,059)</b> | <b>(10,465,580)</b>   | <b>(11,270,430)</b> |
| <b>Sales and other services</b>                          |                     |                     |                       |                     |
| Other related parties                                    | 2,779,226           | 3,128,936           | 7,746,359             | 4,453,018           |
|  | <b>2,779,226</b>    | <b>3,128,936</b>    | <b>7,746,359</b>      | <b>4,453,018</b>    |

#### Relationships

|                                       |  |
|---------------------------------------|--|
| Dangote Cement Plc, Gboko Plant       | Fellow subsidiary, provides trucks for NASCON  |
| Bulk Commodities International Inc.   | Fellow subsidiary, purchases raw salt for NASCON   |
| Central TPT Parts Store               | Fellow subsidiary, purchases and sells spare parts                                       |
| DANCOM Technologies Limited           | Fellow subsidiary, provides internet services and IT support                             |
| Dangote Agrosacks Limited             | Fellow subsidiary, produces empty sacks for NASCON                                       |
| Dangote Cement Plc                    | Fellow subsidiary, buys Crude Salt from NASCON and procures trucks on behalf of NASCON   |
| Dangote Flour Mills Plc               | Fellow subsidiary, NASCON reimburses entity for expenses                                 |
| Dangote Foundation                    | Fellow subsidiary, engages in philanthropy   |
| Dangote Industries Limited            | Ultimate controlling party   |
| Dangote Noodles Limited               | Fellow subsidiary, buys Table Salt from NASCON   |
| Dangote Oil Refinery                  | Fellow subsidiary, NASCON purchases equipment  |
| Dangote Pasta Limited                 | Fellow subsidiary, NASCON provides haulage services                                      |
| Dangote Sugar Refinery Plc.           | Fellow subsidiary, buys crude salt from NASCON and provides warehouse facility to NASCON |
| Dangote Transport Limited             | Fellow subsidiary, provides haulage services to NASCON                                   |
| Dansa Foods Limited                   | Entity controlled by a Director of DIL, provides beverages                               |
| Greenview Development Nigeria Limited | Fellow subsidiary, provides port and terminal services to NASCON                         |
| Dangote Cement Plc, Obajana Plant     | Fellow subsidiary, NASCON provides haulage services                                      |
| West African Popular Foods            | Joint venture with Unilever, purchased and sold Annapurna Salt                           |

Dangote Industries Limited (DIL) performed certain administrative services for the Company for which a management fee of ₦105.9 million (2017: ₦90.8 million) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

In addition to the above, interest of ₦72 million was paid to DIL for the loan of (₦4.5 billion at 15% interest) obtained by the Company in 2016, which has been fully paid in February, 2017. The loan was included in balance due to DIL in 2016.

## Notes to the Financial Statement for the year ended December 2018

|                                   | 2018<br>₦'000  | 2017<br>₦'000  |
|-----------------------------------|----------------|----------------|
| <b>Compensation to directors</b>  |                |                |
| Short-term employee benefits      | 187,755        | 170,744        |
|                                   | <b>187,755</b> | <b>170,744</b> |
| <b>Directors fee and expenses</b> |                |                |
| Directors Fees                    | 20,570         | 17,457         |
| Directors Expenses                | 167,185        | 153,287        |
|                                   | <b>187,755</b> | <b>170,744</b> |

Key management personnel are Board of directors and management team.

#### The number of Directors excluding the Chairman with gross emoluments within the bands stated below were:

| ₦'000              | 2018      | 2017      |
|--------------------|-----------|-----------|
| 0 – 15,000         | -         | -         |
| 15,001 – 30,000    | 8         | 8         |
| 30,001 – and above | 2         | 2         |
|                    | <b>10</b> | <b>10</b> |

### 39. Commitments

The Company's total capital commitments as at 31 December 2018 amounted to ₦2.39 billion in respect of purchase of raw salt and Oregon plant rehabilitation (2017: ₦2.1 billion).

### 40. Contingent assets and Contingent liabilities

#### 40.1 Pending litigation and claims.

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal conusels. The contingent liabilities in respect of pending litigation and claims amounted to ₦13.0 million as at December 31, 2018 (2017 - ₦17.1 million). In the opinion of the Directors and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claim, thus no provision has been made in these financial statements.

#### 40.2 Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

### 41. Events after the reporting period

There were no events after the reporting period that could have had a material effect on the financial statements of the Company as at 31 December 2018 that have not been taken into account in these financial statements.

### 42. Approval of Financial statements

The Board approved the financial statements during its meeting of 21 March 2019.



## Other National Disclosure - Value Added Statement

|   | 2018<br>₦'000     | 2018<br>%  | 2017<br>₦'000     | 2017<br>%  |
|---|-------------------|------------|-------------------|------------|
| <b>Value Added</b>  |                   |            |                   |            |
| Turnover  | 25,769,352        |            | 27,064,325        |            |
| Investment income   | 468,379           |            | 354,745           |            |
| Other operating income  | 29,265            |            | 11,296            |            |
| Other operating gains (losses)  | 841,845           |            | (1,868)           |            |
| Bought - in materials and services  |                   |            | -                 |            |
| - Local   | (5,941,554)       |            | (3,508,290)       |            |
| - Foreign   | (10,842,197)      |            | (12,482,143)      |            |
| <b>Total Value Added</b>  | <b>10,325,090</b> | <b>100</b> | <b>11,438,065</b> | <b>100</b> |
| <b>Value Distributed</b>  |                   |            |                   |            |
| <b>To Pay Employees</b>   |                   |            |                   |            |
| Salaries, wages, medical and other benefits                                     | 1,933,442         |            | 1,728,842         |            |
|   | <b>1,933,442</b>  | <b>19</b>  | <b>1,728,842</b>  | <b>15</b>  |
| <b>To Pay Providers of Capital</b>  |                   |            |                   |            |
| Finance costs   | -                 |            | 72,113            |            |
|   | <b>-</b>          | <b>-</b>   | <b>72,113</b>     | <b>1</b>   |
| <b>To Pay Government</b>  |                   |            |                   |            |
| Income tax  | 1,689,340         |            | 1,997,776         |            |
|   | <b>1,689,340</b>  | <b>16</b>  | <b>1,997,776</b>  | <b>17</b>  |
| <b>To be retained in the business for expansion and future wealth creation:</b> |                   |            |                   |            |
| Depreciation, amortisation and impairments                                      | 1,968,449         |            | 1,727,622         |            |
| Deferred tax  | 339,828           |            | 568,120           |            |
|   | <b>2,308,277</b>  | <b>22</b>  | <b>2,295,742</b>  | <b>20</b>  |
| <b>Value retained</b>   |                   |            |                   |            |
| Retained profit   | 4,420,217         |            | 5,343,592         |            |
|   | <b>4,420,217</b>  | <b>43</b>  | <b>5,343,592</b>  | <b>47</b>  |
| <b>Total Value Distributed</b>  | <b>10,325,090</b> | <b>100</b> | <b>11,438,065</b> | <b>100</b> |

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

## Other National Disclosure - Five Year Financial Summary

### Statement of Financial Position

|                                     | 2018<br>₦'000     | 2017<br>₦'000     | 2016<br>₦'000     | 2015<br>₦'000     | 2014<br>₦'000     |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>                       |                   |                   |                   |                   |                   |
| Non-current assets                  | 11,705,283        | 9,421,041         | 6,399,575         | 6,909,411         | 6,933,017         |
| Current assets                      | 18,565,146        | 20,702,206        | 18,203,692        | 9,385,415         | 5,622,868         |
| <b>Total assets</b>                 | <b>30,270,429</b> | <b>30,123,247</b> | <b>24,603,267</b> | <b>16,294,826</b> | <b>12,555,885</b> |
| <b>Liabilities</b>                  |                   |                   |                   |                   |                   |
| Non-current liabilities             | 2,288,229         | 1,972,705         | 1,432,087         | 1,255,093         | 902,464           |
| Current liabilities                 | 16,088,720        | 16,615,330        | 15,124,953        | 7,951,497         | 5,346,114         |
| <b>Total liabilities</b>            | <b>18,376,949</b> | <b>18,588,035</b> | <b>16,557,040</b> | <b>9,206,590</b>  | <b>6,248,578</b>  |
| <b>Equity</b>                       |                   |                   |                   |                   |                   |
| Share capital and premium           | 1,758,756         | 1,758,756         | 1,758,756         | 1,758,756         | 1,758,756         |
| Retained income                     | 10,134,724        | 9,776,456         | 6,287,471         | 5,329,480         | 4,548,551         |
| <b>Total equity</b>                 | <b>11,893,480</b> | <b>11,535,212</b> | <b>8,046,227</b>  | <b>7,088,236</b>  | <b>6,307,307</b>  |
| <b>Total equity and liabilities</b> | <b>30,270,429</b> | <b>30,123,247</b> | <b>24,603,267</b> | <b>16,294,826</b> | <b>12,555,885</b> |

### Statement of Profit or Loss and Other Comprehensive Income

|  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenue                                    | 25,769,352       | 27,064,325       | 18,291,792       | 16,178,197       | 11,250,544       |
| Cost of sales                              | (17,988,663)     | (17,070,310)     | (12,374,098)     | (11,816,653)     | (7,438,214)      |
| <b>Gross profit</b>                        | <b>7,780,689</b> | <b>9,994,015</b> | <b>5,917,694</b> | <b>4,361,544</b> | <b>3,812,330</b> |
| Other income                               | 29,265           | 11,296           | 18,484           | 80,423           | 85,173           |
| Other operating gains/(losses)             | 841,845          | (1,868)          | (22,171)         | 80,574           | 9,554            |
| Other operating expenses                   | (2,670,793)      | (2,376,588)      | (2,095,332)      | (1,487,209)      | (1,087,865)      |
| <b>Operating profit</b>                    | <b>5,981,006</b> | <b>7,626,855</b> | <b>3,818,675</b> | <b>3,035,332</b> | <b>2,819,192</b> |
| Investment Income                          | 468,379          | 354,745          | 55,328           | 9,258            | 11,541           |
| Finance costs                              | -                | (72,113)         | (357,671)        | (20,065)         | -                |
| <b>Profit before taxation</b>              | <b>6,449,385</b> | <b>7,909,487</b> | <b>3,516,332</b> | <b>3,024,525</b> | <b>2,830,733</b> |
| Taxation                                   | (2,029,168)      | (2,565,896)      | (1,101,148)      | (911,918)        | (989,361)        |
| <b>Profit from discontinued operations</b> | <b>4,420,217</b> | <b>5,343,591</b> | <b>2,415,184</b> | <b>2,112,607</b> | <b>1,841,372</b> |
| <b>Profit for the year</b>                 | <b>4,420,217</b> | <b>5,343,591</b> | <b>2,415,184</b> | <b>2,112,607</b> | <b>1,841,372</b> |
| <b>Retained income for the year</b>        | <b>4,420,217</b> | <b>5,343,591</b> | <b>2,415,184</b> | <b>2,112,607</b> | <b>1,841,372</b> |

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Summary of Claimed/Unclaimed Dividends

| DIVIDEND NO | YEAR END | DECLARED DIVIDEND | CLAIMED DIVIDEND  | UNCLAIMED DIVIDEND | DATE OF PAYMENT |
|-------------|----------|-------------------|-------------------|--------------------|-----------------|
| 1           | 2007     | 883,146,126.00    | 865,410,554.22    | 17,735,571.78      | 17/07/2008      |
| 2           | 2008     | 1,059,775,351.20  | 1,036,084,819.80  | 23,690,531.40      | 05/10/2009      |
| 3           | 2009     | 1,324,719,189.00  | 1,287,840,622.40  | 36,878,566.60      | 04/10/2010      |
| 4           | 2010     | 1,324,719,189.00  | 1,292,328,042.04  | 32,391,146.96      | 11/07/2011      |
| 5           | 2011     | 1,854,606,865.00  | 1,791,899,418.18  | 62,707,446.82      | 07/06/2012      |
| 6           | 2012     | 2,384,494,540.20  | 2,302,986,222.29  | 81,508,317.91      | 17/06/2013      |
| 7           | 2013     | 2,384,494,540.20  | 2,294,582,080.48  | 89,912,459.72      | 24/06/2014      |
| 8           | 2014     | 1,324,719,189.00  | 1,277,104,482.95  | 47,614,706.05      | 12/06/2015      |
| 9           | 2015     | 1,457,191,107.90  | 1,405,547,490.78  | 51,643,617.12      | 23/05/2016      |
| 10          | 2016     | 1,854,606,864.60  | 1,798,522,131.03  | 56,084,733.57      | 09/07/2017      |
| 11          | 2017     | 3,974,157,567.00  | 3,778,642,090.00  | 195,515,477.00     | 08/05/2018      |
| TOTAL       |          | 19,826,630,529.10 | 19,130,947,954.17 | 695,682,574.93     |                 |



## Share Capital History

| AUTHORISED NOMINAL VALUE |                     |                     | ISSUED AND PAID-UP |                     |             |              |             |              |
|--------------------------|---------------------|---------------------|--------------------|---------------------|-------------|--------------|-------------|--------------|
| Year                     | Other than by bonus |                     | Bonus issue        |                     | Total       |              |             |              |
|                          | No. of shares '000  | No. of Amount ₦'000 | No. of shares '000 | No. of Amount ₦'000 | shares '000 | Amount ₦'000 | shares '000 | Amount ₦'000 |
| 1991                     | 40,000              | 20,000              | -                  | -                   | -           | -            | 14,110      | 7,055        |
| 1992                     | 40,000              | 20,000              | -                  | -                   | -           | -            | 14,110      | 7,055        |
| 1993                     | 40,000              | 20,000              | -                  | -                   | -           | -            | 14,110      | 7,055        |
| 1994                     | 40,000              | 20,000              | -                  | -                   | -           | -            | 14,110      | 7,055        |
| 1995                     | 80,000              | 40,000              | -                  | -                   | -           | -            | 14,110      | 7,055        |
| 1996                     | 80,000              | 40,000              | 65,847             | 32,923              | -           | -            | 79,957      | 39,978       |
| 1997                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 1998                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 1999                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2000                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2001                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2002                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2003                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2004                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2005                     | 200,000             | 100,000             | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2006                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 79,957      | 39,978       |
| 2007                     | 4,000,000           | 2,000,000           | 2,127,909          | 1,063,954           | -           | -            | 2,207,865   | 1,103,932    |
| 2008                     | 4,000,000           | 2,000,000           | -                  | -                   | 441,573     | 220,787      | 2,649,438   | 1,324,719    |
| 2009                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2010                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2011                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2012                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2013                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2014                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2015                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2016                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2017                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |
| 2018                     | 4,000,000           | 2,000,000           | -                  | -                   | -           | -            | 2,649,438   | 1,324,719    |

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the ANNUAL GENERAL MEETING of NASCON ALLIED INDUSTRIES PLC. (NASCON) for the year ended 31st December 2018 will hold on Thursday 13th June, 2019 at the Civic Centre Ozumba Mbadiwe Road Victoria Island Lagos at 10.00 am prompt to transact the following business:

- 1] To lay before the Meeting the audited financial statements for the year ended 31st December, 2018 along with the Directors report, the reports of the Auditors and the Audit Committee thereon for the year ended 31st December, 2018.
- 2] To declare a Dividend.
- 3] To re-elect Directors retiring by rotation
- 4] To re-appoint the Company Auditors.
- 5] To authorize the Directors to fix the remuneration of the Auditors.
- 6] To appoint members of the Audit Committee.

### SPECIAL BUSINESS.

- 7] To fix the remuneration of the Directors for the year ending 31st December 2019
- 8] To consider and if thought fit pass the following as an ordinary Resolution.

*"That in compliance with the rules of the Nigerian Stock Exchange governing transactions with related or interested persons, the General Mandate circular in respect of all recurrent transactions that may be entered into with a related party or interested person which are of a revenue and trading nature or are necessary for the Company's operations including but not limited to the procurement of goods and services on normal commercial transactions terms as contained in the circular on page 122 in this 2018 Annual Report be and is hereby approved"*

### PROXY

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A proxy for an organization may vote on a show of hands and on a poll. For the appointment to be valid, a completed proxy form must be deposited at the registered office of the Company or with the Registrar not later than 48 hours before the time fixed for the meeting, and be duly acknowledged.

### DIVIDEND & e- DIVIDEND MANDATE

- a) The Board recommends for the approval of shareholders, the payment of a dividend of ₦1 (one naira) per ordinary share of 50 Kobo each, out of the profits declared in the financial year ended 31st December, 2018 and which will be subject to withholding tax at the appropriate rate.
- b) If approved, the dividend will be payable on Monday, 17th June, 2019 to shareholders whose names are in the

Company Register as at close of business Thursday 30th May 2019.

- c) Shareholders who have completed the e-Dividend Mandate Form will receive a direct credit of the Dividend into their bank accounts.
- d) Shareholders are kindly requested to update their records and advise Meristem Registrars and Probate Services Ltd of their updated records and relevant bank accounts for the payment of their dividends.
- e) Detachable forms in respect of mandate for e-dividend payment, unclaimed/stale dividend payment and shareholder's data are attached to the Annual Report for convenience. The aforementioned forms can also be downloaded from NASCON's website at [www.nasconplc.com](http://www.nasconplc.com) or from Meristem Registrars website, [www.meristemregistrars.com](http://www.meristemregistrars.com)
- f) The duly completed forms should be returned to Meristem Registrars and Probate Services Ltd at No 213 Herbert Macaulay Way Adekunle. Yaba Lagos.

### NOTES

#### 1] CLOSURE OF REGISTER AND TRANSFER BOOKS

NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed on Friday 31st May and Monday 3rd June 2019.

#### 2] AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act CAP C20 LFN 2004, a nomination (in writing) by any member or shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting. The Audit Committee comprises three shareholders and three Directors.

#### 3] RIGHTS OF SHAREHOLDERS TO ASK QUESTIONS.

Securities' holders have a right to ask questions not only at the Meeting but also in writing prior to the Meeting and such questions must be submitted to the Company on or before Tuesday 4th June 2019



### BY ORDER OF THE BOARD

**A. A. SAMUEL**

**Company Secretary**

**FRC/2016/NBA/00000015291**

Dated this 21st day of March, 2019

NASCON Allied Industries

Union Marble House

1, Alfred Rewane Road

Falomo, Ikoyi,

Lagos, Nigeria.



## Corporate Information

### Capital Market Information

NASCON Allied Industries is listed on the main board of the Nigerian Stock Exchange (NSE)  
Each share carries one voting right

|   |                             |
|---|-----------------------------|
| <b>NSE ticker symbol</b>                | NASCON                      |
| <b>ISIN</b>                             | NGNASCON0005                |
| <b>Bloomberg Code</b>                   | NASCON:NL                   |
| <b>Reuters Code</b>                     | NASCON:LG                   |
| <b>Date listed</b>                      | 20 October, 1992            |
| <b>Market Capitalization (31/12/18)</b> | <del>₦</del> 47,689,890,804 |
| <b>Outstanding shares</b>               | 2,649,438,378               |
| <b>Free float</b>                       | 37.81%                      |

### Registration Information

|                       |                |
|-----------------------|----------------|
| RC Number             | 11364          |
| Date of Incorporation | 30 April, 1973 |

### Registered office

Salt City  
Ijoko Ota, Ogun State

### Business Office

15B Ikosi Road  
Oregun, Ikeja, Lagos State

For more Information please contact:

### Corporate Communications

Anthony Chiejina  
+234 (1) 448 0815  
anthony.chiejina@dangote.com

### Investor Relations

Morayo Tukur  
+234 (0) 807 049 4389  
investors.nascon@dangote.com

### Website

www.nasconplc.com

## Directors, Officers and Professional Advisers

|  |  |  |
|--|--|--|
| <b>Country of incorporation and domicile</b>       | Nigeria  |  |
| <b>Nature of business and principal activities</b> | Principal activities of the Company during the year include processing of raw salt into refined, edible and industrial salt. The company also produces Seasoning.  |  |
| <b>Ultimate holding company</b>                    | Dangote Industries Limited<br>(incorporated in Nigeria)  |  |
| <b>Directors</b>                                   | *Yemisi Ayeni<br>Paul Farrer<br>Fatima Aliko Dangote<br>Olakunle Alake<br>Halima Aliko Dangote<br>Abdu Dantata<br>Sada Ladan-Baki<br>Chris Ogbachie<br>Knut Ulvmoen<br>Fatima Wali-Abdurrahman   | Chairperson<br>Managing Director<br>Executive Director<br>Director<br>Director<br>Director<br>Director<br>Independent Director<br>Director<br>Independent Director |
| <b>Company Secretary</b>                           | Adedayo A. Samuel  |  |
| <b>Auditors</b>                                    | PricewaterhouseCoopers<br>Chartered Accountants<br>5b Water Corporation Road, Victoria Island,<br>Lagos  |  |
| <b>Registrar and Transfer Office</b>               | Meristem Registrars and Probate Services Limited<br>213, Herbert Macaulay Way<br>Adekunle, Yaba, Lagos<br>Tel: 01-8920491-2; 01-2809250-3<br>E-mail: info@meristemregistrars.com   |  |
| <b>Bankers</b>                                     | Access Bank Plc<br>Diamond Bank Plc<br>Ecobank Limited<br>Guaranty Trust Bank Plc<br>Jaiz Bank Limited<br>Polaris Bank Limited (Formerly Skye Bank Plc)<br>Sterling Bank Plc<br>United Bank for Africa Plc<br>Union Bank of Nigeria Plc<br>Zenith Bank Plc |  |





## Board and Committee Meeting Dates & Attendance

### Board Meetings

| Members                 | 26/01 | 05/03 | 30/04 | 03/05 | 20/07 | 2/10 | 26/10 |
|-------------------------|-------|-------|-------|-------|-------|------|-------|
| 'Yemisi Ayeni           | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Paul Farrer             | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Fatima Aliko-Dangote    | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Olakunle Alake          | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Halima Aliko-Dangote    | ✓     | ✓     | ✓     | ✓     | ✓     | X    | ✓     |
| Abdu Dantata            | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Sada Ladan-Baki*        | ✓     | ✓     | ✓     | X     | X     | ✓    | X     |
| Chris Ogbechie          | ✓     | ✓     | ✓     | ✓     | ✓     | X    | ✓     |
| Knut Ulvmoen            | ✓     | ✓     | ✓     | ✓     | ✓     | ✓    | ✓     |
| Fatima Wali-Abdurrahman | ✓     | ✓     | ✓     | X     | ✓     | ✓    | ✓     |

### Finance, Risk and Audit Committee

| Members              | 25/01 | 02/03 | 25/04 | 19/07 | 25/10 |
|----------------------|-------|-------|-------|-------|-------|
| Chris Ogbechie       | ✓     | ✓     | ✓     | ✓     | ✓     |
| Paul Farrer          | ✓     | ✓     | ✓     | ✓     | ✓     |
| Fatima Aliko-Dangote | ✓     | ✓     | ✓     | ✓     | ✓     |
| Olakunle Alake       | ✓     | ✓     | ✓     | ✓     | ✓     |
| Halima Aliko-Dangote | ✓     | ✓     | ✓     | ✓     | ✓     |
| Abdu Dantata         | ✓     | ✓     | ✓     | ✓     | ✓     |
| Sada Ladan-Baki*     | ✓     | ✓     | ✓     | X     | ✓     |

### Establishment and General Purpose Committee

| Members                 | 24/01 | 26/04 | 19/07 | 25/10 |
|-------------------------|-------|-------|-------|-------|
| Knut Ulvmoen            | ✓     | ✓     | ✓     | ✓     |
| Paul Farrer             | ✓     | ✓     | ✓     | ✓     |
| Fatima Aliko-Dangote    | X     | ✓     | ✓     | ✓     |
| Halima Aliko-Dangote    | ✓     | ✓     | ✓     | ✓     |
| Fatima Wali-Abdurrahman | ✓     | ✓     | ✓     | ✓     |

### Statutory Audit Committee

| Members               | 30/01 | 27/03 | 30/4 | 15/08 | 26/10 |
|-----------------------|-------|-------|------|-------|-------|
| Okey Nwuke            | ✓     | ✓     | ✓    | ✓     | ✓     |
| Umar Farouk           | ✓     | ✓     | ✓    | ✓     | ✓     |
| Kudaisi Ayodele Sarat | ✓     | ✓     | ✓    | ✓     | ✓     |
| Halima Aliko-Dangote  | ✓     | ✓     | ✓    | ✓     | ✓     |
| Abdu Dantata          | ✓     | ✓     | ✓    | ✓     | ✓     |
| Chris Ogbechie        | X     | ✓     | ✓    | ✓     | ✓     |

\*Sada Ladan-Baki was on approved work assignment with a related party company.

### KEY

- ✓ - Present in meeting
- X - Absent from meeting

## Proxy Form

NASCON Allied Industries Plc Rc: 11364



The Annual General Meeting to be held at the Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, on Thursday, June 13, 2019 at 10:00 a.m.

I/WE .....

of .....

being a shareholder of NASCON Allied Industries Plc hereby appoint ..... or failing him/her

..... OR .....

as my/our Proxy to act and vote for me/us on my/our behalf at the 2018 Annual General Meeting to be held on June 13, 2019 and at any adjournment thereof.

Dated the ..... 2019 shareholder's signature .....

|   | NO. | ORDINARY BUSINESS  | FOR | AGAINST |
|---|-----|--|-----|---------|
| I/We desire this proxy to be used in favour of/ or against the resolution as indicated alongside (strike out whichever is not applicable) | 1.  | To receive the audited Financial Statements for the year ended 31st December, 2018, the Reports of Directors, Auditors, and the Audit Committee thereon;   |     |         |
|   | 2.  | To declare a dividend;   |     |         |
|   | 3.  | To re-elect the following retiring Directors: <ul style="list-style-type: none"> <li>'Yemisi Ayeni</li> <li>Fatima Wali-Abdurrahman</li> <li>Sada Ladan-Baki</li> </ul>  |     |         |
|   | 4.  | Re-appoint the Company's Auditors: Messrs. PricewaterCoopers   |     |         |
|   | 5.  | To authorize the Directors to fix the remuneration of the Auditors   |     |         |
|   | 6.  | To elect the members of the Audit Committee  |     |         |
|   | 7.  | <b>SPECIAL BUSINESS</b><br>To approve the remuneration of the non-executive Directors for the year ending December 31, 2019.   |     |         |
|   | 8.  | To approve the General Mandate on related party transactions.  |     |         |
|   |     | Please indicate with an X in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion. |     |         |

This proxy form should NOT be completed and sent to the registered office if the member will be attending the meeting.

Note:

- ii. A member (shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint to a proxy in his stead. All proxy form should be deposited at the registered office of the Registrar (as in notice) not later than 48 hours before the meeting.
- III. In the case of joint shareholders, any of them may complete the form, but the names of all joint shareholders must be stated.
- III. If the shareholder is a corporation, this form must be executed under its Common Seal or under the hand of some officers or an attorney duly authorized.
- IV. The proxy must produce the admission card sent with the notice of the meeting to gain entrance to the meeting.
- V. It is a legal requirement that all instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear appropriate stamp duty from the Stamp Duties office (not adhesive postage stamps).

Before posting this form, please tear off this part and retain it for admission to the meeting.

NAME AND ADDRESS NUMBER OF SHARES HELD: NUMBER OF SHAREHOLDER(S):

ADMISSION  
C A R D

Please admit ..... to the Annual General Meeting of NASCON Allied Industries Plc to be held at Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, on Thursday, June 13th, 2019 at 10:00 a.m.

- Signature of person attending: .....
- This admission card should be produced by the shareholder or his/her proxy in order to obtain entrance to the Annual General Meeting.
  - You are requested to sign this card at the entrance in the presence of the Company Secretary or his Nominee on the day of the Annual General Meeting.

Please be advised that to enable a Proxy gain entrance to the meeting, the Proxy Form is to be duly completed and delivered to the Company Secretary not later than 48 hours before the time fixed for the meeting.



## General Mandate Circular


In compliance with the provisions of Clause 6 of the Rules of the Nigerian Stock Exchange Governing Related Parties or Interested Persons ('the Rules'), NASCON Allied Industries Plc ("NASCON") hereby seeks the approval of Shareholders for a general mandate in respect of recurrent transactions of revenue or of a trading nature or those necessary for the day to day operations of the Company

The relevant items for consideration of the shareholders are as stated below:

- i. The transaction for which this general mandate is sought are those of a trading nature and/or those which are necessary for the day to day operations of NASCON and include but are not limited to the following:
  - a) Technical Know-How and Support Services Agreements between NASCON and its Parent Company, Dangote Industries Limited ("DIL") and/or other companies or entities within the Dangote Group;
  - b) Trademark and Quality Control Agreement between NASCON and its parent Company, DIL and/or other companies or entities within the Dangote Group;
  - c) Distribution Agreements between NASCON and its parent company, DIL and/or other companies or entities within the Dangote Group;
  - d) Production and Distribution Agreements between NASCON and its Parent Company, DIL and/or other companies or entities within the Dangote Group;
  - e) Arrangements for the provision of specialist support to NASCON by its Parent Company, DIL and/or other companies or entities within the Dangote Group;
  - f) Contract manufacturing purchase or packaging arrangements between NASCON and its parent Company, DIL and/or other companies or entities within the Dangote Group; and
  - g) Arrangements for sale and/or purchase of raw materials or finished goods, technical equipment and spare parts by or to NASCON by its parent Company, DIL and/or other companies or entities within the Dangote Group.
- ii. The class of related parties and interested persons with which NASCON will be transacting include shareholders, employees and their family members, companies or entities within the Parent Company DIL and subsidiaries of the company, etc.

- iii. The rationale for the transactions are that they are necessary for the operations of NASCON, the discharge of the legal and contractual obligations currently binding on NASCON, are of strategic importance to the continued operations of NASCON, guarantee the uninterrupted supply of goods and services necessary for the operation of NASCON as a going concern, are carried out on a transparent basis and are cost effective and performed efficiently and effectively.
- iv. The methods and procedures for the determining the transaction prices are based on Nascon's transfer pricing policy and are, where applicable, subject to the approval of the National Office for Technology Acquisition and Promotion (NOTAP).
- v. Messrs. PriceWaterHouseCoopers has provided independent financial opinion that the methods and procedures in Mascon's transfer pricing policy referred to in paragraph (iv) above are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to interests of NASCON and its minority shareholders.
- vi. NASCON shall obtain a fresh mandate from the shareholders if the methods or procedures in (iv) become inappropriate.
- vii. Any person identified as an interested person as defined under the Rules shall abstain and undertake to ensure that its associates abstain from voting on the resolution approving the transaction.
- viii. The Board of Directors be and are hereby authorized to take any steps that may be necessary for obtaining approvals, statutory, contractual or otherwise in relation to all the above and to settle all matters arising out of , and incidental thereto and sign all deeds, documents and applications that may be required on behalf of the Company and generally to do all acts and things that may be necessary, expedient or incidental thereto for the purposes of giving effect to the above mandate.

**Affix  
Current  
Passport**  
(To be stamped by Bankers)  
Write your name at the back of  
your passport photograph



E-DIVIDEND MANDATE ACTIVATION FORM

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

**The Registrar**  
Meristem Registrars And Probate Services Limited  
213, Herbert Macaulay Way  
Adekunle-Yaba  
Lagos State

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

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

**Shareholder Account Information**

Surname/Company's Name  First Name  Other Names

Address:

City  State  Country

Previous Address (If address has changed)

CHN  CSCS A/c No

Name of Stockbroker

Mobile Telephone 1  Mobile Telephone 2


Email Address

Signature(s)  Company Seal (If applicable)

Joint/Company's Signatories

| TICK                     | NAME OF COMPANY                                    | SHARE A/C NO |
|--------------------------|--|--------------|
| <input type="checkbox"/> | ACAP INCOME FUND                                   |              |
| <input type="checkbox"/> | AFRINVEST EQUITY FUND                              |              |
| <input type="checkbox"/> | BERGER PAINTS NIG PLC                              |              |
| <input type="checkbox"/> | CEAT FIXED INCOME FUND                             |              |
| <input type="checkbox"/> | CHELLARAMS BOND                                    |              |
| <input type="checkbox"/> | CONOIL PLC   |              |
| <input type="checkbox"/> | CONSOLIDATED HALLMARK INS. PLC                     |              |
| <input type="checkbox"/> | CUSTODIAN INVESTMENT PLC                           |              |
| <input type="checkbox"/> | COVENANT SALT NIGERIA LIMITED                      |              |
| <input type="checkbox"/> | EMPLOYEE ENERGY LIMITED                            |              |
| <input type="checkbox"/> | ENERGY COMPANY OF NIGERIA PLC [ENCON]              |              |
| <input type="checkbox"/> | eTRANZACT INTERNATIONAL PLC                        |              |
| <input type="checkbox"/> | FIDSON HEALTHCARE PLC                              |              |
| <input type="checkbox"/> | FOOD CONCEPTS PLC                                  |              |
| <input type="checkbox"/> | FREE RANGE FARMS PLC                               |              |
| <input type="checkbox"/> | FTN COCOA PROCESSORS PLC                           |              |
| <input type="checkbox"/> | GEO-FLUIDS PLC                                     |              |
| <input type="checkbox"/> | INTERNATIONAL ENERGY INSURANCE PLC                 |              |
| <input type="checkbox"/> | JUBILEE LIFE MORTGAGE BANK LTD                     |              |
| <input type="checkbox"/> | MAMA CASS RESTAURANTS LIMITED                      |              |
| <input type="checkbox"/> | MCN DIOCESE OF REMO                                |              |
| <input type="checkbox"/> | MCN LAGOS CENTRAL                                  |              |
| <input type="checkbox"/> | MCN TAILORING FACTORY [NIGERIA] LIMITED            |              |
| <input type="checkbox"/> | MULTI-TREX INTEGRATED FOODS PLC                    |              |
| <input type="checkbox"/> | MUTUAL BENEFITS ASSURANCE PLC                      |              |
| <input type="checkbox"/> | NASSARAWA STATE GOVT BOND                          |              |
| <input type="checkbox"/> | NASCON ALLIED INDUSTRIES PLC                       |              |
| <input type="checkbox"/> | NEIMETH INT'L PHARMS PLC                           |              |
| <input type="checkbox"/> | NEWREST ASL NIGERIA PLC                            |              |
| <input type="checkbox"/> | NIGER INSURANCE PLC                                |              |
| <input type="checkbox"/> | NIGERIA MORTGAGE REFINANCE COMPANY [NMRC] PLC      |              |
| <input type="checkbox"/> | NIGERIA MORTGAGE REFINANCE COMPANY PLC [NMRC] BOND |              |
| <input type="checkbox"/> | ONWARD PAPER MILLS PLC                             |              |
| <input type="checkbox"/> | PACAM BALANCED FUND                                |              |
| <input type="checkbox"/> | PAINTS & COATINGS MANUFACTURERS NIG PLC            |              |
| <input type="checkbox"/> | PROPERTYGATE DEVT. & INVEST. PLC                   |              |
| <input type="checkbox"/> | R.T. BRISCOE NIGERIA PLC                           |              |
| <input type="checkbox"/> | REGENCY ALLIANCE INSURANCE PLC                     |              |
| <input type="checkbox"/> | SMART PRODUCTS NIGERIA PLC                         |              |
| <input type="checkbox"/> | SOVEREIGN TRUST INSURANCE PLC                      |              |
| <input type="checkbox"/> | TANTALIZERS PLC                                    |              |
| <input type="checkbox"/> | THOMAS WYATT PLC                                   |              |
| <input type="checkbox"/> | VITAFOAM NIGERIA PLC                               |              |
| <input type="checkbox"/> | ZENITH EQUITY FUND                                 |              |
| <input type="checkbox"/> | ZENITH ETHICAL FUND                                |              |
| <input type="checkbox"/> | ZENITH INCOME FUND                                 |              |

**Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-2809250-4**



**Meristem Registrars And Probate Services Limited**

Web: [www.meristemregistrars.com](http://www.meristemregistrars.com); email: [info@meristemregistrars.com](mailto:info@meristemregistrars.com)





The Registrar  
Meristem Registrars Limited  
213, Herbert Macaulay Way  
Adekunle, Yaba, Lagos

Blank lined area for notes or signatures.

