HONEYWELL

FLOUR MILLS PLC

RC55495

A NEW **DAWN**

ANNUAL REPORT & ACCOUNTS 2017

CONTENT

HONEYWELL FLOUR MILLS PLC

WHO WE ARE

Our Directional Beacons

- Mission
- Vision
- Core Values

Our Story

OUR DIRECTIONAL BEACONS

MISSION -Why we exist

To produce consistently good quality Flour and other wheat based products for the complete satisfaction of our highly valued customers, through the commitment of our well-motivated workforce.

VISION -Where we want to be

To be the most admired African Company in terms of our successes, practices and people.

CORE VALUES -What matters to us

Responsibility beyond ourselves

Integrity

Courage

Excellence

Respect for the individual

HONEYWELL FLOUR MILLS PLC

OUR STORY

COMPANY HISTORY

Honeywell Flour Mills Plc. commenced commercial operations in July, 1998 with a single 200MT/day flour mill in Apapa, Lagos. Our entry into the flour milling industry revolutionized the bread flour market by raising the bar on the quality of bread flour that bakers had access to. Through consistent delivery of premium quality bread flour, we earned the trust of bakers as they became confident that every bag of Honeywell Superfine Flour would ensure the satisfaction of their customers and provide guaranteed earnings for a day's work.

Today, in response to consumer demand, we have grown our production capacity over ten-fold across three sites and extended our trademark quality beyond bread flour and bakeries into the kitchens, restaurants and hearts of millions of consumers providing them with other nourishing food staples from the house of Honeywell, including:

- Pasta – Honeywell Spaghetti and Honeywell Macaroni
- Instant Noodles – Honeywell Noodles
- Ball foods – Honeywell Semolina and Honeywell Wheat Meal

But our purpose goes beyond providing nourishing food. At our core, is a desire to contribute to the development of human endeavour and the wealth of nations by empowering people to conquer hunger and reach for more.

Today, we provide a means of livelihood to thousands of employees, trade channel partners and other third party suppliers. Our next chapter involves working with local smallholder farmers to add value to their grain and tuber harvests by transforming their produce from unearthed raw material state to branded shelf stable food products.

PRODUCTS

Honeywell Flour Mills produces a wide range of superior quality products for the complete satisfaction of its highly esteemed customers/consumers.

These products include:

Flour (Honeywell Superfine Flour, Honeywell Brown Flour and Honeywell Composite Flour): used mainly for baking. The Flour brand was launched in July 1998 and has since carved a niche for itself through consistent superior quality improvement. The company provides efficient customer service, excellent training and support for bakers across Nigeria.

Honeywell Semolina:

This is a wheat-based ball food that is easy to prepare, smooth to eat and enjoyed with any kind of soup. The brand has set new quality standards for semolina, which it has maintained since its introduction and this is evident in its continued increased demand and preference by consumers. The brand packaging is distinct and stands out on the shelf.

Honeywell Wheat Meal:
This was launched into the market in 2009. At that time, this category was largely underdeveloped and unpopular. The company has continued to invest in heavy marketing and sales support to develop and grow this category and to make it acceptable to all consumer segments. The brand goes well with any soup, is easy to prepare, hygienically packed and a healthier way to enjoy ball food. It is good for everyone irrespective of social status. The brand packaging is distinct and stands out on the shelf.

Honeywell Pasta:
This is made from the finest quality wheat semolina. The brand is well accepted by consumers for its excellent quality and it comes in very attractive packaging which stands it out on the shelf.

Honeywell Noodles:
This is made from fine quality flour and comes in three different variants; Chicken, Spicy Chicken and Onion Chicken. Honeywell Noodles are a consumer delight. The brand packaging is distinct and stands out on the shelf.

In line with NAFDAC and SON requirements, all our brands are fortified with vitamin A and other essential minerals that are good for the body.

All our brands are rated among the top three in their different categories with respect to market share, top-of- mind awareness and consumer usage.

WE CREATE VALUE

CHAIRMAN'S LETTER TO SHAREHOLDERS

HONEYWELL FLOUR MILLS PLC

THE **CHAIRMAN**

Dr. Oba Otudeko, CFR
CHAIRMAN

HONEYWELL
FLOUR MILLS PLC

Rebirth and Transformation: A New Dawn

Dear Shareholders,

THE OPERATING ENVIRONMENT IN 2016

2016 was, to put it mildly, a difficult year. On a global scale, the economy was insipid with output declining by 10 basis points to 3.1 per cent, according to the International Monetary Fund (IMF). Low interest rates in advanced economies, low commodity prices and the growing protectionist and anti-globalization sentiments all had significant ramifications for businesses during the year.

For Nigeria, the downtrend in the business environment, which began in 2015, persisted all through 2016. The economy was in recession for all four quarters of the year, eventually recording an annual decline of 1.58 per cent as estimated by the National Bureau of Statistics (NBS). Developing economies like ours continue to suffer persistent challenges around low commodity prices, high inflation, unstable currencies, rising unemployment, political instability and low economic productivity, amongst other factors.

For the manufacturing sector, this meant difficulty in accessing foreign exchange for critical raw materials and other inputs and a much higher cost base occasioned by a devalued currency and increased cost of borrowing from a challenged banking sector. The flour milling industry was severely affected by the foreign exchange crisis, more so given that our key raw material, wheat, is imported.

On a positive note, the price war of 2016 eased as industry players confronted external macroeconomic factors that threatened their collective survival.

COMPANY PERFORMANCE

Following the first and only loss ever recorded by the company last financial year, the Board and Management Team promised to return the company to profitability. To this end, we made concerted efforts, every single day, to ensure that the promise was kept by focusing on the execution of the recovery phase of our medium term strategy hinged on the platforms of GROWTH, EFFICIENCY and CAPABILITY, as critical enablers of success.

Growth

I am glad to report that we recorded a 5 per cent increase in turnover resulting in revenue from product sales of N53.27 billion. This performance was achieved against the backdrop of the daunting difficulties experienced in the operating environment in FY2017. Our growth agenda was severely constrained by the foreign exchange crisis which limited our ability to source sufficient raw materials for production. Consequently, and in the face of strong demand for our brands, we regrettably rationed supply to our customers; thereby limiting our selling capacity as the business could have done more.

To mitigate the effects of lower product volumes on our business, we responded by reinforcing the quality of our brands, ensuring appropriate pricing for all SKUs and tilting production in favour of higher margin products by leveraging the completion of 'Project Panda'; a strategic initiative to increase our Semolina ball food production capacity.

Efficiency

One of our strategic objectives is to become an advantaged low cost producer. In this regard, we continued to implement innovative and sustainable cost reduction strategies that were initiated in the previous year. Our manufacturing function drove further efficiencies through continuous improvement projects that enhanced engineering and plant maintenance processes and ensured higher levels of production efficiency.

Also, through our Finance function, we sourced foreign exchange mostly through the Central's Bank's window for manufacturers while purchasing raw materials at competitive rates that enabled us to enhance returns to our trade value-chain and also improve our gross margin.
Finance costs escalated during the year, to a certain degree in line with our aggressive capital structure, to fund increased working capital requirements and the ongoing expansion project in Sagamu. The Company's leadership is considering several strategic options to better manage finance costs going forward.

Capability

Our resolve to keep the best and brightest of our employees and improve our business processes and 'know-how' was tested as we operated significantly below installed capacity during the year. This situation imposed further strain on our financial resources but administrative costs were closely managed to minimize the effects of cost inflation on virtually all spend areas.
However, because we recognize that our company is only as good as its people, we continued to invest in training and development of our talent pipeline, even in the face of rising unemployment in the country. We also leveraged the full resources of the Honeywell Corporate Office to ensure the survival of our company during a most difficult year in order to achieve a turnaround for the business.

Profit for the Year

In FY2017, we reaped the benefits of a well-executed input cost management strategy that resulted in a remarkable 191 per cent increase in gross profits from N4.31 billion to N12.71 billion over the financial year.
In furtherance of our Go-to-Market Strategy for our consumer brands, we appointed new Key Distributors with strong wholesale and retail networks in vital sales territories to create more effective retail distribution. This capillary approach helped to boost distribution effectiveness and streamline selling costs, while the effect of lower sales volumes also contributed to the 23 per cent decline in Selling & Distribution expenses, year over year.
Operating profit margin (N8.26 billion) to sales ratio was 16%, well ahead of the industry average and an indicator of solid earnings for us. Our Profit before Tax (PBT) was N5.5 billion while after tax profits came in at N4.31 billion, the highest recorded in our company's history.

Dividends

Whilst we give strong consideration to the need to continuously invest for the long term, the Directors of the Company are convinced that due to our inability to recommend any dividends for disbursement last year, as a result of the loss sustained in FY2016, the least we can do now is to make sure that our shareholders, who stood by us during the trying times, have no cause to regret their decision. In the light of our return to profitability, we are pleased to recommend to our esteemed shareholders, a dividend of 6 kobo per share payable by the 25th of September, 2017. This disbursement will, as usual, be subject to the appropriate withholding tax deductions.

BUSINESS EXPANSION

Backward Integration

Our commitment to the sustainable growth and development of our country propels us to continue investing in long term and capital intensive projects, even in very difficult times. In 2016, working with ICRISAT (International Crop Research Institute for the Semi-Arid Tropics) and USAID MARKETS (United States Agency for International Development Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites), we distributed certified sorghum seeds to 11,000 farmers across seven states in the northern part of Nigeria and worked with them through farming until the harvest, culminating in us purchasing our first stock of local grains under a 'buy-back' backward integration programme.

Similarly, under the umbrella of the Flour Millers Association of Nigeria (FMAN), we partnered with the Wheat Farmers Association of Nigeria (WFAN) to deepen the wheat value chain in Nigeria. Specifically, we are working to develop wheat seed varieties that are suited to our tropical climate and appropriate for producing wheat-based staples (ball foods, bread, noodles, pasta, etc.). As an initial step, FMAN has committed to buy all wheat produced by Nigerian farmers at guaranteed prices, and we have collectively provided tools and equipment to the farmers aimed at increasing planted acreage, improving yields and reducing the cost of production. These strategic initiatives will see us reduce our dependency on imported wheat for production.

Honeywell Foods and Agro-allied Industrial Complex, Sagamu

Due to the foreign exchange crisis, we were not able to import key off-shore components and equipment that would have enabled us complete the new pasta plant in our Sagamu site within the timelines earlier envisaged but we are working assiduously to ensure that the facility is commissioned within the current financial year.

TRANSFORMATION AND OUTLOOK

Change of Corporate Logo

We are focused on executing our 'Managing for Value' medium term strategy and we have begun to implement pivotal initiatives to actualize this compelling ambition. The most visible of these is the change in our corporate logo and the adoption of a Masterbrand. On the one hand, the new logo is a projection of our deliberate decision to transform our business and reposition it for the future. After almost twenty years of operations, we are cognizant of the need to increasingly adopt more contemporary and global best practices that promote growth and sustainability. The new image is reflective of new beginnings in outlook, performance and social impact.
On the other hand, the adoption of a Masterbrand speaks to the fact that, through the years, we have transitioned from a mono-product manufacturer to a multi-product foods and agro-allied platform that meets the needs of a wide base of consumers. We have adopted "Honeywell" as the overarching brand name with a new logo that unifies all our old brand and corporate logos into a single imagery and symbol that is able to confidently cut through the clutter of brands and reach our consumers in a deeply engaging manner. As you will notice, its rich, exciting colour and unique typeface particularly help to communicate the premium quality that our nutritious food products are renowned for.

Outlook

Thankfully, the key macro-economic indicators point towards Nigeria returning to the growth path this year. Real GDP growth is now trending in a positive direction while the foreign exchange crisis is also easing on the backdrop of volume and relative price stability. Naturally, these improvements should boost consumer confidence and help increase productivity for manufacturers. Given these signs of improvement in the economy, the Board is of the opinion that our growth agenda will be sustained in the new financial year.

Our growth agenda will be driven through an expansion of our flour customer base and increasing investments in Route-to-Market and retail redistribution capability. Our core message of nourishment and excitement will be better communicated to consumers through our new packaging, new SKUs, product innovation and in addition, advertising campaigns via social media and other digital media channels where we are developing and constantly engaging a growing list of followers. The level of success attained in executing these growth initiatives will determine our ability to secure scarce shelf space at retail points; sales volume growth; and overall customer satisfaction levels.

Our resolve to attain advantaged low cost producer status through systematic and process driven change will be fostered to deliver savings that have positive effect on both growth and margins. This year, we are executing a company-wide efficiency enhancement and cost reduction programme to deliver annual savings commensurate to several percentage points' improvements in net margins while our supply chain strategy is being reviewed to drive an organization that is more responsive to consumer and customer requirements in the face of constantly changing dynamics in the global and domestic markets.

We are also making bold investments in our capability enhancing programmes to shape the future of our company and the foods industry in Nigeria. In the course of the year, we will be making critical hires in various functions and roles to introduce new skills and 'know-how' where we lack them and to strengthen teams where numbers and depth are in short supply. A rigorous programme for talent development and leadership building is being developed while leadership succession planning is on the front burner.

RETIREMENT BY ROTATION

In line with the Company's Articles of Association, the following Directors namely; Dr. Oba Otudeko CFR, Lt. Gen Garba Duba (rtd), Dr. Nino Ozara and Mr. Oluranti Sokunbi shall retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-election.

APPRECIATION

Esteemed Shareholders, on behalf of the Board of Directors, I thank you for your continued support, your confidence, and trust in the Board, Management, and entire staff of the Company. We firmly believe that our turnaround performance could not have been achieved without your unwavering support.

We assure you of our diligence, dedication and commitment to our mission to provide nutritious and affordable food to all consumers of our products while generating sustainable growth and profitability for you, our esteemed shareholders.

Thank you and God bless you all.

DR. OBA OTUDEKO, CFR
Chairman

HONEYWELL FLOUR MILLS PLC

SAGAMU PROJECT UPDATES

The Acting President, **Professor Yemi Osinbajo's** visit to Honeywell Foods & Agro-Allied Industrial Complex, Sagamu

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The Shareholders' visit to Honeywell Foods & Agro-Allied Industrial Complex, Sagamu

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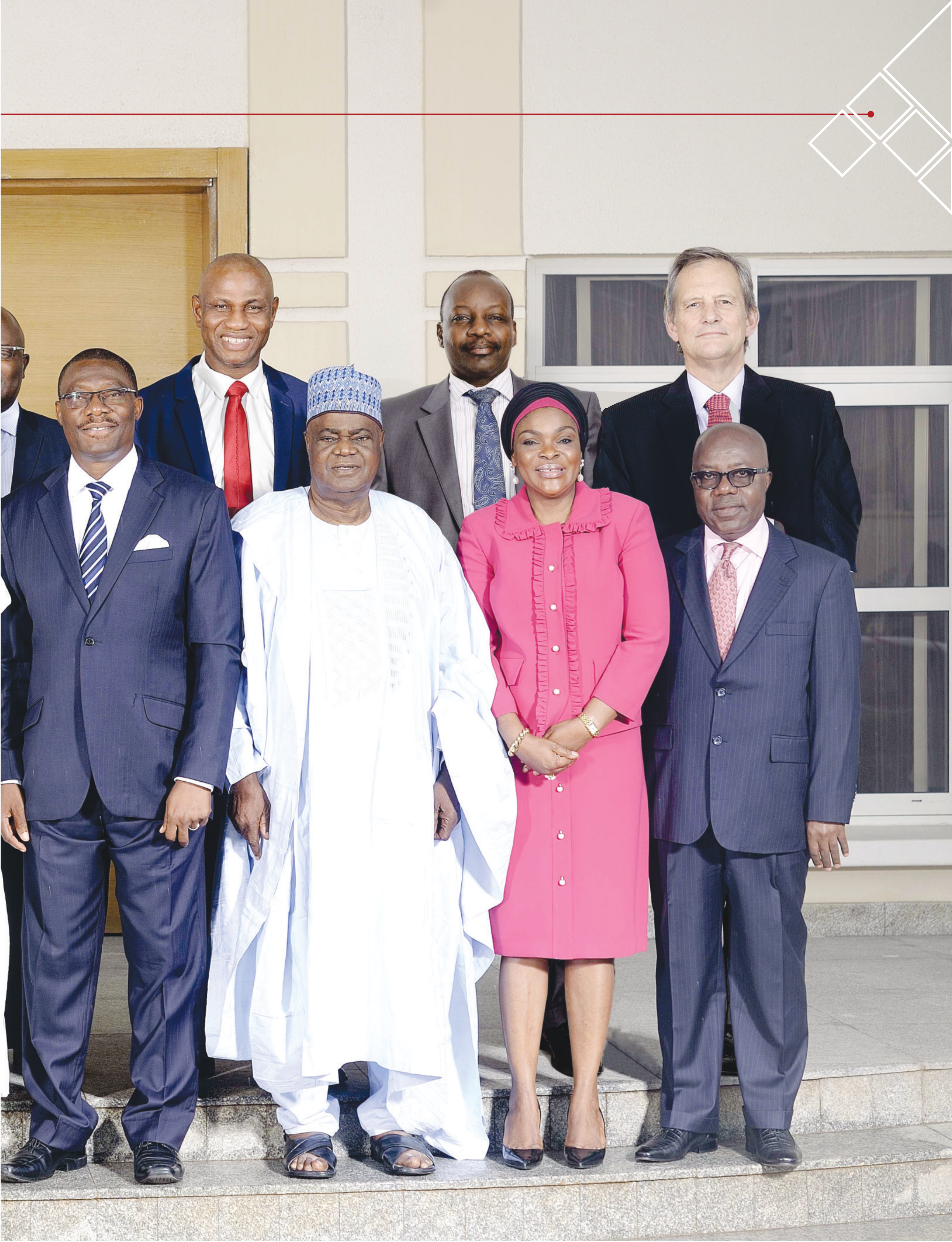
REDEFINED!
HONEYWELL
Whole Wheat Meal
QUALITY H GUARANTEED
ADDED MICRONUTRIENTS
VITAMIN A FORTIFIED
5kg
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well

GOVERNANCE

- Leadership
- Corporate Governance
- Impacting Our Community

BOARD OF DIRECTORS




REDEFINED!
HONEYWELL
Semolina
QUALITY GUARANTEED
ADDED MICRONUTRIENTS
VITAMIN A FORTIFIED
5kg
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well

REDEFINED!
HONEYWELL
Composite Flour
Net Wt.
50kg
NAFDAC Reg No.: 08-1739
HONEYWELL
Superfine Flour
ENRICHED WITH VIT A, B1, B2, C & IRON
Net Wt.
50kg
NAFDAC Reg No.: 01-3995
HONEYWELL
Bakers' Delight Flour
Net Wt.
50kg
NAFDAC Reg No.: 08-6584
HONEYWELL
Brown Flour
Net Wt.
50kg
NAFDAC Reg No.: 01-9816
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well

Dr. Ayoola Oba Otudeko, CFR

Chairman / Founder

Dr. Oba Otudeko, CFR is Founder and Chairman of Honeywell Flour Mills Plc, Honeywell Group and also Chairman, FBN Holdings Plc. He is a foremost Nigerian entrepreneur and visionary reputed for his highly successful domestic and foreign investments that cut across diverse sectors of the economy. He served on the board of Firstbank between May, 1997 and December, 2010 when he retired as Chairman. He was also the Chairman of FBN Bank (UK) Limited, Fan Milk of Nigeria Plc, and Airtel Nigeria.

He has, at various times, also served on the Boards of Central Bank of Nigeria (1990 – 1997), Guinness Nigeria Plc (1999 – 2003), British American Tobacco Ltd (2001 – 2004) and Ecobank Transnational Incorporated, headquartered in Lome, Togo (2002 – 2010).

Between September 2006 and August 2009, he was the 16th President and Chairman of Council of the Nigerian Stock Exchange.

Professionally, he is a Chartered Banker, Chartered Accountant and Chartered Corporate Secretary. Dr. Oba Otudeko has also attended executive management training programmes at International Institute for Management Development (IMD), Lausanne, Switzerland; Harvard Business School, Boston, U.S.A; and then Arthur D. Little School of Management, U.S.A.

Dr. Oba Otudeko holds the Nigerian National Honour of Commander of the Order of the Federal Republic (CFR), awarded in 2011.

He was Chancellor of the Olabisi Onabanjo University, Ago-Iwoye, Ogun State from 2001 to 2010 and currently serves as a member of the Office of Distinguished Friends of the London Business School (UK). Dr. Oba Otudeko is the founder of Oba Otudeko Foundation (OOF), a platform for his charity interventions.

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MR. OLANREWAJU JAIYEOLA
Managing Director

DR. NINO ALBERT OZARA
Executive Director, Manufacturing

Lanre holds a Bachelors degree in Mathematics and Statistics from the University of Ife, Nigeria (now Obafemi Awolowo University) and an MBA in Finance from the University of Lagos. He is a chartered Accountant; an Associate of the Institute of Chartered Accountants of Nigeria. He is also an alumni of the Lagos Business School, Nigeria and INSEAD, business school, France.

Lanre started his career with Akintola Williams & Co. (now Akintola Williams Deloitte) where he trained as an Auditor and later worked in the service industry before joining the Honeywell Group in September 1995. His career and business management experience in the company spans finance, sales management and manufacturing management.

He is the current Vice Chairman of the Flour Millers Association of Nigeria.

Dr Albert Ozara, has been appointed to the position of the Executive Director, Manufacturing. He is currently responsible for manufacturing of all the company's products.
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Albert joined the Company in 1998 from the Federal University of Technology, Owerri where he had risen to the position of Head of the Crop Production Department. He holds a First Class degree in Soil Science from the University of Ibadan, and a Doctorate degree also in Soil Science from the Cranfield Institute of Technology, United Kingdom. He subsequently had his professional flour milling training at the Swiss Milling School, St. Gallen, Switzerland and the Buhler Training Centre Uzwil also in Switzerland. He also had milling operations experience at the Swiss Mill in Zurich.

Mr. Benson Osaretin Evbuomwan
Executive Director, Marketing

Mr. Evbuomwan trained as a Pharmacist at the University of Benin, Benin City, Nigeria. He has had many years of varied and rich experience in brand management and marketing acquired from top fast moving consumer goods, manufacturing and marketing multinational companies including Procter & Gamble and Guinness Nigeria PLC. He joined Honeywell Flour Mills PLC in September 2006.

He is a member of both the Advertising Practitioners Council of Nigeria and the Nigerian Institute of Management. He was appointed to the board of directors as Executive Director, Marketing on 2nd October, 2013.

Mr. Rotimi Gbenga Davies Fadipe
Executive Director, Supply Chain

Mr. Rotimi Fadipe joined the Company in 1993 after a stint of professional training with Messrs. Adetona Isichei & Co (Now Akintola Williams). He holds a First degree in Accounting from the University of Lagos, and a Higher National Diploma in Estate Management from Yaba College of Technology in Nigeria.

He pioneered the Supply Chain functions within the Honeywell Group. He is a Chartered member of The Institute of Logistics and Transport, and Member, Chartered Institute of Purchasing and Supply in United Kingdom. He is also a Fellow of The Institute of Chartered Accountants of Nigeria, The Chartered Institute of Taxation of Nigeria, African Centre for Supply Chain and the Association of Enterprise Risk Management Professionals.
He is an alumnus of Pan-Atlantic University; INSEAD in Singapore and The Business school of IMD, Switzerland.

He was appointed to the Board as the Supply Chain Director in 2013 with core responsibility to provide strategic direction for the Company's supply chain functions.

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FLOUR MILLS PLC

Lt. General Garba Duba (Rtd)
Non-Executive Director

A retired Lieutenant-General of the Nigerian Army and Military Administrator of Sokoto State (1977 to 1979), Bauchi State (1984), General Officer Commanding, 2nd Mechanized Division, Nigerian Army (1987 - 88), General Officer Commanding, 3rd Armored Division and Commandant, Nigerian Defense Academy (1990 - 1992).

General Duba has played several political and economic roles as Leader of the Niger State delegation to the National Political Reform Conference and Chairman, New Nigerian Development Company Ltd.

He is currently the Chairman, SGI Nigeria Limited and has been on the board of Honeywell Flour Mills PLC since August 1998.

Mr. Obafemi Otudeko
Non-Executive Director

Mr. Obafemi Otudeko is a chartered accountant by training and is the Executive Director of Honeywell Group Limited, the company responsible for managing the operating companies and portfolio investments within the Honeywell Group. He joined the Honeywell Group in 2003 as a Senior Manager in the Oil & Gas projects group, and was responsible for strategy formulation and business development in the upstream energy sector. Prior to joining the Group, he was a Senior Associate in the Financial Services Industry practice of Pricewaterhouse Coopers.

Since joining Honeywell Group Limited, he has led a number of strategic initiatives ranging from capital raising, including the successful listing of Honeywell Flour Mills Plc on the Nigerian Stock Exchange; Greenfield developments across various sectors; acquisitions and divestments of strategic investments, amongst other initiatives.

He is also a Director of First Bank of Nigeria Limited, and previously served on the board of Airtel Nigeria Limited as a Non-Executive Director. He was also the former Second Vice-President of the Nigerian Gas Association.

Mr. Alan Palmer
Non-Executive Director

Mr. Alan Palmer was Managing Director and CEO of Kraft West Africa and Cadbury Nigeria PLC. He was also previously the Managing Director, South-East Asia for Cadbury Schweppes PLC.

Mr. Palmer has close to 40 years of experience in the fast moving consumer goods (FMCG) space working with global organisations such as Kraft Foods Incorporated, Cadbury PLC and Trebor Bassett Limited. Alan Palmer is presently CEO Foods, Honeywell Group where he has primary responsibility for managing the transformation of the Honeywell Foods Business into a leading, world-class, pan-African foods FMCG company.

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Mr. Andrew Smith-Maxwell
Non-Executive Director

Mr. Andrew Smith-Maxwell has over 25 years of global investment banking experience from some of the world's leading Investment banks.

He is Chairman of Fieldstone Private Capital Group, a boutique investment bank specialising in power and infrastructure projects across Africa. Prior to that, he led and built up the Energy and Utilities Group at Dresdner Kleinwort Wasserstein, an erstwhile British-based investment bank which is now a member of the global banking group, Commerzbank, where he was responsible for overseeing its teams in the UK, Germany, Asia, Latin America and the United States.

He has previously served on the Board of Wessex Water following its acquisition by YTL Power International.

His considerable experience and insight into corporate finance continues to be an important contribution to the board of the company.

Mr Akinsoji Akintayo
Non-Executive Director

Mr. Akintayo had a robust career with Honeywell Flour Mills where he was initially employed in the position of Financial Controller and later Finance Director. He was later appointed the Group Chief Finance Officer of the Honeywell Group in 2008 and as an Executive Director of Honeywell Fisheries Limited.

He is currently the acting Managing Director of Pivot Engineering Company Limited. He is a Chartered Accountant and a member of the Institute of Cost and Management Accountants, United Kingdom and the Certified General Accountants of Ontario, Canada.

He was previously in the employment of Federal Express in Canada, Consolidated Breweries Limited, Phillips Consulting and Unilever Nigeria Plc. He was appointed to the Board of the Company in May 2009.

Mrs Wonuola Adetayo
Independent Director

Mrs. Wonuola Adetayo has over 25 years of combined consulting and marketing experience. She is currently a partner, co-founder and chief executive of Kainos Edge Consulting Limited. Mrs Adetayo's rich career has seen her work, at various times, in senior marketing and leadership roles across different geographies with Unilever/UACN. These roles included: Divisional Marketing Director, UAC Foods; Marketing Director, CAP Plc; Managing Director, UACN Pharmaceutical & Personal Products Limited; and, Group Marketing Manager, Unilever Caribbean in Trinidad & Tobago.

She left UACN/Unilever to work in consulting, joining Phillips Consulting as Associate Director. She later founded and was Managing Director of SoftSkills Management Consultants. She was a member of the Nigeria 2020 Vision Drafting Committee and Chairman of the Governance & Institutions sub-committee.

She currently serves on the board of the Nigerian Economic Summit Group (NESG).

HONEYWELL FLOUR MILLS PLC

Mr Theophilus Oluranti Sokunbi
Independent Director

Dr. Zate Raymond Zoukpo
Independent Director

Mrs. Oluwayemisi Busari
Company Secretary

A graduate of Chemistry from the University of Ibadan, Nigeria, He obtained a Post Graduate Certificate in Management (PGCM) from University of Derby, United Kingdom, in 2000. He has since attended several other management courses both locally and internationally, which included Senior Management Development Programme at Ashridge Management College and Total Quality Management Course from the Lagos Business School.

He has held various management positions at West African Portland Cement PLC (Nigeria) where he resigned as the Managing Director in 2005. He is a member of several professional bodies including the Nigerian Institute of Management and fellow of the Nigerian Institute of Marketing. He is presently the Chairman of Jacobs Educational Services Ltd and Tonbol International Ltd. He joined the Board of Honeywell Flour Mills on October 17, 2011.

Dr. Zate Raymond Zoukpo obtained his Ph.D in Economics from the University of Tsukuba, Japan in 1985. As a scholar, Dr. Zoukpo began his career as a Research Fellow with the Ivorian Centre for Economic and Social Research.

He later went into banking, where he spent 30 meritorious years across diverse executive roles and functions at African Development Bank (AfDB), from where he retired as Director, First Vice President and Chief Operating Officer.

He is currently the CEO of ECG, a strategic and operational advisory firm, working with first rated global companies interested in investing in Africa. He also serves on the advisory boards of a number of reputable firms in Africa, America, Asia and Europe.

Oluwayemisi is an Irving & Bonnar/Bentley Edu trained legal practitioner with over 20 years' extensive work experience in the areas of company secretarial, corporate governance and commercial law practices. In addition to her role as Group Head, Legal & Regulatory Affairs she has also at various times simultaneously held the executive management roles of Group Head, Corporate Communications and Group Head, Human Resources & Administration.

As Group Company Secretary/ Head, Legal & Regulatory Affairs, she is responsible for the secretarial, legal advisory and dispute resolution activities of the Honeywell Group and also handles its trademark portfolio. Oluwayemisi has a Masters in Business Administration (MBA) from the Lagos Business School and a Masters in Law from the University of Lagos. She has also attended several courses locally and internationally. She is married with children.


REDEFINED!
HONEYWELL
SPAGHETTI
SLIM
QUALITY H GUARANTEED
NET WEIGHT
500g
HONEYWELL
SPAGHETTI
QUALITY H GUARANTEED
NET WEIGHT
500g
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well


REDEFINED!
HONEYWELL
MACARONI
Cornetti
QUALITY
GUARANTEED
NET WEIGHT
500g
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well

CORPORATE GOVERNANCE

Honeywell Flour Mills Plc is committed to the best practices and principles of Corporate Governance. The Company is a member of the Society for Corporate Governance of Nigeria, and its business is conducted in a fair, honest and transparent manner which conforms to the SEC Code of Corporate Governance.

1. Board Composition

The Board consists of a non-executive chairman, nine (9) non-executive Directors, and five (5) executive Directors, all bringing high levels of competence and expertise. They are professionals and entrepreneurs with vast business management experience and credible track records. The non-executive Directors are independent of the management and are free from constraints which may materially affect their judgment as Directors of the Company.

2. Role of the Board

The Board has the responsibility of ensuring that the Company is properly managed and achieves its strategic objectives with the aim of creating sustainable long term value to the Shareholders.

3. Record of Directors' Attendance at Meetings

Members of the Board of Directors hold periodic meetings to decide policy matters with the aim of directing the affairs of the Company, reviewing its operations and finances and formulating growth strategy. Board agenda and reports are provided ahead of meetings.

Further to the provision of Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the records of the Directors' attendance at Board meetings during the year under review is available at the Company's Corporate Head office for inspection. In accordance with Corporate Governance principles, details of attendance at Board meetings during the year are as follows:

Names of Directors	No. of Meetings held	No. of Meetings attended	
Dr. Oba Otudeko, D.Sc. (Hon.) CFR	4	4	
Mr. Olanrewaju Jaiyeola	4	4	
Dr. Nino Albert Ozara	4	4	
Mr. Benson Evbuomwan	4	4	
Mr. Rotimi Gbenga Fadipe	4	4	
Mrs. Oluseye Efunyemi Sandey	4	4	
Lt. General Garba Duba (rtd)	4	4	
Mr. Obafemi Otudeko	4	4	
Mr. Alan Palmer	4	4	
Dr. Teddy Ngu	4	2	*(Up to 30 September, 2016*
Mr. Andrew Smith-Maxwell	4	4	
Mr. Akinsoji Akintayo	4	4	
Mrs. Wonuola Adetayo	4	4	
Mr. Theophilus Oluranti Sokunbi	4	4	
Dr. Raymond Zoukpo	4	4	

HONEYWELL FLOUR MILLS PLC

Board meetings were held on 21 June, 2016, September 19, 2016, December 13, 2016 and March 14, 2017.

4. Board Changes

Dr. Teddy Ngu resigned from the Board with effect from the 30th of September 2016.

5. Committees

a) Statutory Audit Committee

In compliance with section 359 (4) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, members of the Audit Committee were elected at the Annual General Meeting held on 20 September, 2016. The Committee in the conduct of its affairs reviews the Company's overall risk management and control systems, financial reporting arrangements and standard of business conduct. Members of the Audit Committee have direct access to the Internal Audit Department and Independent Auditors. The statutory functions of the Committee are provided for in section 359(6) of the Companies and Allied Matters Act, Cap.C20, Law of the Federation of Nigeria, 2004.

Members that served on the Committee during the year are:

i. Mr. Adebayo Adeleke: Chairman, Shareholder

Adebayo Adeleke holds a first degree from the Obafemi Awolowo University, Ife and an MBA from Delta State University. He is a member of the Nigeria Institute of Management and the Financial Reporting Council, and a graduate member of the Chartered Institute of Stockbrokers. He currently serves as Non-Executive Director of several blue-chip companies including May & Baker Nigeria Plc, Saham Unitrust Insurance Limited and BOC Gases Plc. He also serves as the Chair of the Audit Committees of several organisations. He has extensive experience in oil & gas operations, asset management and real estate development having held positions in African Petroleum (now Forte Oil Plc), 5-Star Asset Management Limited and Lancelot Ventures Limited, amongst others. He is married with children.

ii. Alhaji Lateef Ayodeji Shonubi: Shareholder

Ayodeji Shonubi has experience in auditing and accountancy services, management consultancy, investigation, tax consultancy, financial and general management. He is a Fellow of the Institute of Chartered Accountants of Nigeria, the Association of Chartered Certified Accountants and the Chartered Institute of Taxation of Nigeria. He attended Huddersfield Polytechnic, England and the University of Strathclyde, Glasgow, Scotland. He also holds a Postgraduate Diploma in Financial Studies.

He has over three decades experience in auditing, banking and finance garnered with Price Waterhouse & Co, Peat Marwick Ani Ogunde & Co, Federal Mortgage Bank of Nigeria and Frontline Savings and Mortgage Limited. He is currently the Principal Partner of Ayo Shonubi & Co, a firm of Chartered Accountants.

He served as a member of the Audit Committees of some blue-chip companies as well as council committees of the Institute of Chartered Accountants of Nigeria and Chartered Institute of Taxation of Nigeria.

He is happily married with children.

iii. Dr. Tunji Odebunmi: Shareholder

Dr. Olatunji O. Odebunmi attended Comprehensive High school, Ayetoro and Baptist High School Abeokuta both in Ogun state, the Federal School of Science, Onikan, Lagos and University of Ibadan, Oyo State from where he obtained his MB; BS degree. He served as the Director of primary healthcare at the Local Government Service Commission of Osun State, and retired as Head of Local Government administration in October 2013. He previously worked at the Steel Company, Ajaokuta, and is the founder & CEO of Alpha-P Hospital, Osogbo, Osun State. He is also a Fellow of the Nigerian Institute of Management, a Fellow of the Association of General Practitioners and holds a Masters in Public Administration. Tunji is an ordained deacon of Dada Estate Baptist church, medical adviser to the Osun State Red Cross Society, and Chairman of the Osun State chapter of the Association of Private Medical practitioners of Nigeria. His hobbies include music and indoor games. He is married with children and grandchildren.

iv. Lt. Gen. Garba Duba (rtd.): Director
v. Mr. Akinsoji Akintayo: Director
vi. Mr. Andrew Smith-Maxwell: Director

The details of the attendance at meetings of the Committee during the year are as follows:

Audit Committee Members	Meetings held	Meetings attended
Mr. Adebayo Adeleke	4	4
Alhaji Lateef Ayodeji Shonubi	4	4
Dr. Tunji Odebunmi	4	4
Lt. Gen. Garba Duba (Rtd)	4	4
Mr. Andrew Smith-Maxwell	4	4

Audit Committee meetings were held on June 20, 2016, September 9, 2016, December 14, 2016 and March 10, 2017.

Members of the Audit Committee

HONEYWELL FLOUR MILLS PLC

b) Business Development Committee

The purpose of the Business Development Committee is to assist the Board in fulfilling its responsibilities in relation to assessing and managing the Company's business development strategies and activities. Details of attendance at the Business Development Committee meeting during the year are as follows:

Names of Members	No. of Meetings held	No. of Meetings attended	
Mr. Alan Palmer (Chairman)	4	4	
Mr. Olanrewaju Jaiyeola	4	4	
Dr. Nino Ozara	4	4	
Mr. Oluranti Sokunbi	4	3	
Mr. Benson Evbuomwan	4	3	
Mr. Rotimi Fadipe	4	4	
Mrs. Wonuola Adetayo	4	4	
Dr. Teddy Ngu	4	2	*(Up to 30 September, 2016)*

Business Development Committee meetings were held on 28 April, 2016, 8 September, 2016, 20, January, 2017 and 9 March, 2017.

c) Shareholder Value Enhancement Committee

The core mandate of the Committee is to maintain a rigorous strategic planning and oversight process with respect to the creation of shareholder value. These strategies are related to mostly shareholder and investor engagement among other areas.

The key area of responsibility for the Shareholder Value Enhancement Committee is to build investors' confidence, enhance the Company's share value, review trends affecting investors' perception/sentiment and closely monitor the investor relations programme for HFMP.

Names of Members	No. of Meetings held	No. of Meetings attended
Mr. Alan Palmer (Chairman)	1	1
Mr. Olanrewaju Jaiyeola	1	1
Mrs. Seye Sandey	1	1
Dr. Teddy Ngu	1	1

The Committee met on the 5th of August, 2016.

d) Nominations' Committee

The Nominations' Committee is empowered to bring to the board recommendations regarding the appointment of any Executive or Non- Executive Director. The Committee ensures that a review of Board candidates is undertaken in a disciplined and objective manner. Due to the nature of its task, the Nominations Committee meet on a need-to basis.

Members of the Committee are:
Dr. Oba Otudeko, CFR
Lt. Gen. Garba Duba (rtd.)
Mr. Obafemi Otudeko

6. Management

The Executive Management comprises the Executive Directors and Heads of Department of the Core Business Units of the Company. It meets three times a week and is responsible for setting overall corporate targets, reviewing the Company's performance and operational issues and overseeing the affairs of the Company on a day-to-day basis. As at 31 March 2017, the Executive Management comprised the following members:

Mr. Olanrewaju Bamidele Jaiyeola	-	Managing Director
Dr. Albert Nino Ozara	-	Manufacturing Director
Mr. Benson Evbuomwan	-	Marketing Director
Mr. Rotimi Gbenga Fadipe	-	Supply Chain Director
Mrs. Oluseye Sandey	-	Finance Director
Mrs. Oluwayemisi Busari	-	Company Secretary
Mr. Mobolaji Fakayode	-	Financial Controller
Mr. Babatunde Adebayo	-	Head, Human Resources & Admin
Mr. Oluseye Ogunwole	-	Head, National Sales (Business to Business)
Mr. Narendra Nagarkar	-	Head, National Sales (Business to Consumers)

7. Performance Evaluation of the Board

The Board has established a system to undertake a formal and rigorous annual evaluation of its own performance, that of its Committees, the Chairman and individual Directors. The evaluation system includes the criteria and key performance indicators and targets for the Board, its Committees and each individual Committee member. For the year under review, the Company engaged the services of PricewaterhouseCoopers, Nigeria to conduct the performance evaluation of the Board, its Committees and individual members.

8. Policies

In keeping with its practice of adhering to best corporate governance standards, Honeywell Flour Mills Plc has in place several policies, which protect the interests of its customers and stakeholders.

a. Security Trading Policy

In line with Section 14 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, Honeywell Flour Mills Plc has in place a Security Trading Policy.
During the financial year under review, the Directors and employees of the Company complied with the Nigerian Stock Exchange Rules relating to securities transactions and the provision of the Honeywell Flour Mills Plc Policy on insider trading.

b. Shareholders Enquiries & Complaints Management Policy

Honeywell Flour Mills Plc has in place a Shareholders Enquiries & Complaints Management Policy in compliance with the Investments and Securities Act (ISA), 2007 and in line with the Securities and Exchange Commission Rules relating to the Complaints Management Framework of the Nigerian Capital Market.

During the financial year, all enquiries and complaints covered under the Policy were promptly resolved. Enquiries and complaints may be submitted through the following channels:

i. Company Registrar

First Registrars & Investor Services Limited
Plot 2 Abebe Village Road
Iganmu
Lagos.
Tel: 234 1 2799880, 2701078, 2701079
Fax: 234 1 2701071, 2701072
Email: info@firstregistrarsnigeria.com

ii. Company Secretary

Shareholders seeking to escalate unresolved complaints are invited to contact the Company Secretary as follows:
Office of the Company Secretary/Head, Group Legal & Regulatory Affairs
6b, Mekunwen Road
Ikoyi
Lagos.
Email: Obusari@honeywellflour.com
Tel: +234 1 731 5870, +234 1 7932694

c) Whistle Blowing Policy

Under its whistle blowing mechanism, employees of Honeywell Flour Mills Plc and other stakeholders including third parties are encouraged to report any observed or suspected acts of fraud, corruption or other irregularities through the independent helpline or online without fear of reprisal or recrimination.

The Company guarantees that the identity of the reporting individual or organisation shall be accorded utmost protection and the report timeously investigated and treated. This robust system has been embraced by all employees and stakeholders.

Whistle blowers may report misconduct, irregularities or malpractices via the following channels:

- whistleblower@honeywellgroup.com
- 0708 060 1099
- www.honeywellgroup.com/whistleblowing/

d) Quality Policy

The Company is committed to continuous achievement of business success by maintaining its quality leadership in the flour milling industry.

This is driven by a quality management system designed to ensure that customers are always provided with high quality products and services that meet International Standards. Such standards are in full compliance with all statutory and regulatory requirements and are set out in writing for adherence by all staff at all times.

Honeywell Flour Mills Pic was the first flour milling company in Nigeria to be ISO-certified. All processes and procedures across the organisation are in line with international best practices to ensure that it continuously produces good quality products for the complete satisfaction of its highly esteemed customers. The Company employs state-of-the-art facilities for the production of its various brands in conjunction with its technical partners Buhler AG of Switzerland (the world's leading milling equipment manufacturer) for the installation and maintenance of its mills as well as a partnership agreement with Muhlenchemie of Germany for the supply of additives.

e) Others

In line with the Code of Corporate Governance, Honeywell Flour Mills Plc also has in place other policies which further strengthens its corporate governance structure. They include:

- Code of Ethics for employees and the Board of Directors
- Communications policy
- Board Appointment policy
- Board remuneration policy
- Internal Control policy
- Robust charters for the Board and Committees
- Orientation & induction programme for new Directors

THE STATEMENTS ON ENVIRONMENTAL PROTECTION PRACTICES

It is the policy of Honeywell Flour Mills Plc that every employee is provided with a safe and healthy working environment so far as is practicable, having due regard to all moral, legal and economic obligations. The Directors of the Company recognize that they have a responsibility to ensure that all reasonable precautions are taken to maintain good working conditions that are safe, healthy and comply with all statutory requirements and best codes of practice. The Company recognizes that a safe and healthy environment can be maintained only with the co-operation of all employees and stakeholders operating on its premises. Employees and stakeholders will, therefore, continue to be encouraged to express their own views on the Company's safety standards through the Safety Committee while Health and Safety training opportunities will be provided annually.

Honeywell Flour Mills Plc is a socially responsible Company. It engages in projects that aim at alleviating poverty, aiding learning and helping the less privileged. The Company is also the only Flour Milling Company in Nigeria that provides formal training for bakers. Most bakers in Nigeria have not had any formal training in baking as the skill is acquired more through the apprenticeship model. However, the Company has since set up a training school for bakers in furtherance of its belief that baking is both a science and an art that cannot be fully mastered through apprenticeship alone but through some formal training.

HFMP trained and graduated 58 bakers from her baking school in 2017.
They were trained in modern baking techniques and how to manage their baking businesses.

Tree Planting Campaign

- a way to maintain and keep the ecosystem healthy.

▲ **Formal commissioning of the Round-About at the 2nd Gate of Tin Can Island Port, remodelled and renovated by Honeywell Flour Mills Plc.**

▲ Overall, over 6,000 women have been trained via the Caterers training initiative.

▲ **Donation to Bethseda Home for the Blind in celebration of the 2017 Children's Day**

HONEYWELL FLOUR MILLS PLC

▲ Donation to the Little Saints Orphanage, in celebration of 2017 Children's day

▲ Donation to SOS village Ijebu Ode in celebration of 2017 Children's Day.

▲ Presentation of cash and product gift to winners of the 2017 Children's Day online contest.

Nutrition Education in 17 locations across Lagos and the South East

HONEYWELL FLOUR MILLS PLC

Sponsorship of the Youth Alive Basketball Championship

The 2016 Annual General Meeting in pictures

HONEYWELL FLOUR MILLS PLC


REDEFINED!
HONEYWELL
MACARONI
Cavatto
QUALITY GUARANTEED
NET WEIGHT
500g
NEW LOOK
SAME
GREAT QUALITY
HONEYWELL
FLOUR MILLS PLC
RC55495
...does it really well

REDEFINED!
HONEYWELL
Superfine
Flour
QUALITY GUARANTEED
ENRICHED WITH VIT A, B2, C & IRON
Net Wt.
50kg
HONEYWELL
MACARONI
Cavatto
HONEYWELL
Semolina
HONEYWELL
Whole Wheat
Meal
10kg
HONEYWELL
SPAGHETTI
500g
HONEYWELL
Instant Noodles
Chicken flavour
QUALITY
NEW LOOK
GUARANTEED
HONEYWELL
FLOUR MILLS PLC
...does it really well

FINANCIAL STATEMENT

- Financial Highlights
- Financial Statements
- Shareholders Information

Notice of AGM

List of Distributors

Proxy Form

Mandate Form

HONEYWELL FLOUR MILLS PLC

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 MARCH, 2017

	2017 N'000	2016 N'000	*Increase/ (decrease)* %
Revenue	**53,227,891**	50,883,780	5
Profit/(loss) before taxation	**5,469,833**	(2,869,342)	291
Profit/(loss) after taxation	**4,304,955**	(3,023,852)	242
Total assets	**113,151,714**	76,046,576	49
Shareholders' fund	**52,334,665**	16,362,599	219
Total liabilities	**60,817,049**	59,683,977	2
Issued and fully paid share capital	**3,965,099**	3,965,099	-
Market capitalization at 31 March	**8,326,708**	11,578,089	-28
Per 50k share data	**kobo**	**kobo**	**kobo**
Earnings	**54.29**	-38.13	92
Proposed Dividend	**6.00**	-	6
Net assets	**659.94**	206.33	454
Stock Exchange quotation at 31 March (Naira)	**1.05**	1.46	-0.41

HONEYWELL FLOUR MILLS PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting of **Honeywell Flour Mills Plc** will hold as follows:

Date: Friday 22 September, 2017
Venue: Civic Centre Ozumba Mbadiwe Street, Victoria Island, Lagos
Time: 11a.m

The following will be transacted at the meeting as ordinary business:

1 To receive the Audited Financial Statements for the year ended 31st March, 2017 together with the Report of the Directors, Auditors and Audit Committee thereon.
2 To declare a dividend
3 To re-elect retiring Directors.
Pursuant to section 256 of the Companies & Allied Matters Act 2004, special notice is hereby given that Dr.Oba Otudeko, CFR and Lt. Gen. Garba Duba (rtd.) who are eligible for re-election, are 74 and 76 years old respectively
4 To authorise the Directors to fix the Auditors' remuneration
5 To elect members of the Audit Committee.

Proxy

Any member of the Company who is entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his/her stead. A proxy needs not be a member of the Company. A proxy form is enclosed herewith. A proxy form must be completed and deposited at the office of the Company's Registrar, First Registrars & Investor Services Limited, 2 Abebe Village Road, Iganmu Lagos not later than 48 hours before the time fixed for the meeting.

Audit Committee

Any Shareholder may nominate another Shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

Dividend

If the Dividend recommended by the Directors is approved by the members at the Annual General Meeting, Dividend will be paid by Friday, 22 September, 2017 to the Shareholders whose names appear in the Company's Register of Members on the close of business on Wednesday 13 September, 2017.

Closure of Register and Transfer Books

The Register of Members and Transfer books will be closed from Thursday, September 14, 2017 to Monday, September 18, 2017, both days inclusive for the purpose of updating the Register of Members.

E-Dividend

Notice is hereby given to all Shareholders to open bank accounts, stock broking accounts and CSCS accounts for the purpose of dividend. A detachable application form for e-dividend is attached to this Annual Report to enable all Shareholders to furnish particulars of their accounts to the Registrar (First Registrars & Investor Services Limited) as soon as possible.

Right of Shareholders to Ask Questions

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

……..……………………………

Oluwayemisi Busari (Mrs.)
Company Secretary
FRC/2013/NBA/00000004046

CORPORATE INFORMATION

Board Directors

1. Dr. Oba Otudeko, CFR	Chairman
2. Mr. Lanre Jaiyeola	Managing Director
3. Dr. Nino Ozara	Executive Director, Manufacturing
4. Mr. Benson Evbuomwan	Executive Director, Marketing
5. Mr. Rotimi Fadipe	Executive Director, Supply Chain
6. Mrs. Oluseye Sandey	Executive Director, Finance
7. Lt. Gen. Garba Duba (rtd.)	Non- Executive Director
8. Mr. Obafemi Otudeko	Non- Executive Director
9. Mr. Alan Palmer	Non- Executive Director
10. Dr. Teddy Ngu	Non- Executive Director *resigned with effect from 30th Sept 2016*
11. Mr. Andrew Smith-Maxwell	Non- Executive Director
12. Mr. Akinsoji Akintayo	Non- Executive Director
13. Mrs. Wonuola Adetayo	Independent Director
14. Mr. Oluranti Sokunbi	Independent Director
15. Dr. Raymond Zoukpo	Independent Director

Secretary

Oluwayemisi Busari (Mrs)
Tel: +234 1 731 5870, +234 1 793 2694
Email: Obusari@honeywellflour.com

Operational Office:

(a) **Apapa Factory**
2nd Gate By-Pass
Tin Can Island Port
Apapa,
Lagos.
Website: www.honeywellflour.com
Email: hfml@honeywellflour.co

(b) **Ikeja Factory**
Plot YABB, Mobolaji Johnson Avenue
Alausa, Ikeja,
Lagos.

HONEYWELL FLOUR MILLS PLC

Registrars

First Registrars & Investors Services Limited
2, Abebe Village Road,
Iganmu, Lagos.

Registered Office

SW8/1185 Sanda Street
Molete, Ibadan,
Oyo.

Bankers

Access Bank Plc
Diamond Bank Plc
EcoBank Nigeria Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Keystone Bank Limited
Skye Bank Plc
Standard Chartered Bank of Nigeria Limited
Union Bank Plc
United Bank for Africa Plc
Zenith Bank Plc

Independent Auditors

BBC PROFESSIONALS
(Chartered Accountants)
24, Ilupeju Bye-Pass
Ilupeju,
Lagos.

The Directors have pleasure in submitting to members their annual report together with the audited financial statements for the year ended 31 March, 2017.

PRINCIPAL ACTIVITIES

Honeywell Flour Mills Plc (HFM Plc.) was initially registered as GATEWAY HONEYWELL FLOUR MILLS LIMITED on 21 June, 1983. A change in the Company's ownership structure led to a change of the name to HONEYWELL FLOUR MILLS LIMITED in June 1995. The Company was converted to a Public Liability Company in 2008. Its shares were listed on the Nigerian Stock Exchange (NSE) in 2009.

The Company is principally involved in the manufacturing and marketing of wheat based products such as flour, semolina, whole wheat meal, noodles and pasta.

RESULTS FOR THE YEAR

	2017	2016
	N'000	N'000
Revenue	**53,227,891**	50,883,780
	==========	==========
Profit/(loss) before taxation	**5,469,833**	(2,869,342)
Taxation	**(1,164,878)**	(154,510)
Profit/(loss) after taxation	**4,304,955**	(3,023,852)
	==========	==========

DIVIDEND

The directors have proposed a dividend of **=N=475,811,859** which translates to **6k per ordinary shares** of 50k each. As this is subject to the approval of the shareholders at the Annual General Meeting and does not meet the criteria of present financial obligations, the proposed dividend has not been included as part of the liabilities in these financial statements.

PRODUCTS DISTRIBUTION

The Company's products are distributed through many distributors across the country.

HONEYWELL FLOUR MILLS PLC

I. Directors Interest

The direct and indirect interest of Directors in the Issued Share Capital of the Company as recorded in the Register of Directors Shareholdings and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange is as stated hereunder:

	At 31 March, 2017		At 31 March, 2016	
	Indirect Unit Holdings	Direct Unit Holdings	Indirect Unit Holdings	Direct Unit Holdings
Dr. Oba Otudeko, D.Sc. Hon. CFR*	5,303,363,565	-	1,247,264,003	-
Mr. Obafemi Otudeko *	618,000,000	-	567,951,925	-
Mr. Olanrewaju Bamidele Jaiyeola	-	150,000	-	150,000
Dr. Nino Albert Ozara	-	250,000	-	250,000
Lt. General Garba Duba (Rtd)	-	4,554,030	-	4,554,030
Mr. Akinsoji Akintayo	-	200,000	-	200,000
Mr. Oluranti Sokunbi	-	208,000	-	208,000
Mr. Rotimi Gbenga Fadipe	-	115,000	-	115,000
Mr. Benson Evbuowan	-	20,000	-	20,000
Mrs. Oluseye Sandey	-	100,000	-	100,000
Mr. Alan Palmer	-	75,783	-	75,783
Dr. Teddy Ngu	-	-	-	100,000
Mrs. Wonuola Adetayo	-	50,000	-	50,000
Dr. Raymond Zoukpo	-	-	-	-

*Dr. Oba Otudeko and Mr. Obafemi Otudeko have indirect holdings amounting to 5,303,363,565 and 618,000,000 respectively through Siloam Global Services Limited who is a 75% equity holder in the Company.

ii. Directors Interest in Contracts

None of the Directors have notified the Company for the purpose of Section 227 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts with which the Company was involved during the year ended 31 March, 2017.

iii. Responsibilities of the Directors

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 LFN 2004 and Financial Reporting Council of Nigeria Act No.16, 2011, the Directors of Honeywell Flour Mills Plc are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company as at 31 March, 2017 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (IFRS)

The responsibilities include, ensuring that:

-appropriate internal controls are established to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

-the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, CAP C20 LFN 2004;

-the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and

- the financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.

iv. Responsibilities of the Directors (Cont'd)

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act, CAP C20 LFN 2004 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of the financial performance during the year.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this financial statements.

EMPLOYMENT AND EMPLOYEES

Employment policy

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. However, there was no physically challenged person in the employment of the company during the year.

Training and development

It is the Company's policy to equip all employees with the skills and knowledge required for the successful performance of their jobs. The Company sees investments in its employees as a major part of its strategic development and has maintained a consistent policy of training its staff, both locally and internationally to enhance their skills and competence.

Health and welfare of employees

The Company maintains a staff clinic with full-time nurses and weekly attendance by a physician. It also offers free medical services through a health management services provider to all members of staff.

The Company continuously strives to improve its operations to ensure a safe working environment. It also maintains high standards of hygiene in all its premises through sanitation practices and regular fumigation exercises, as well as installation of pest and rodent control gadgets. Nutritionally balanced meals are provided in the Staff Canteen free for the Junior Staff and at highly subsidized rate for the Senior Staff.

SHAREHOLDING ANALYSIS

The shareholding structure of the company as at 31 March, 2017 is as stated below:

Share range	No of holders	% of holders	No of holdings	% of holdings
1 - 1,000	10,948	35.05	10,078,951	0.13
1,001 - 5,000	13,538	43.35	35,766,335	0.45
5,001 - 10,000	2,837	9.08	23,372,676	0.29
10,001 - 50,000	2,645	8.47	62,171,990	0.78
50,001 - 100,000	554	1.77	43,468,531	0.55
100,001 - 500,000	556	1.78	115,355,629	1.45
500,001 - 1,000,000	82	0.26	61,736,008	0.78
1,000,001 - 5,000,000	48	0.15	87,803,657	1.11
5,000,001 - Above	23	0.09	7,490,443,881	94.46
	31,231	100.00	7,930,197,658	100.00

SUBSTANTIAL INTEREST IN SHARES

According to the register of members, the following shareholders of the Company held at least 5 percent of the Issued Share Capital of the Company as at 31 March, 2017:

	2017 Number	2017 %
Siloam Global Services Limited	**5,921,363,565**	**75**
First Bank of Nigeria Limited	**400,967,024**	**5**

HONEYWELL FLOUR MILLS PLC

DONATIONS, SPONSORSHIP AND CORPORATE SOCIAL RESPONSIBILITY

The Company gave donations and gifts to several charitable organisations and CSR initiatives in the course of the year. The value of these gifts and donations are as follows:

	=N=
NYSC Orientation Camp activities	2,661,682
FRSC Road Safety Campaigns	512,960
SOS Children Village Nigeria	209,168
Little Saints Orphanage Homes	104,584
Bethsaida Orphanage Homes	104,584
Youth Sports Programs	829,152
Vision of The Child Project	1,363,544
Red Cross Leadership Training	216,300
Reconstruction and renovation of Tincan Island Port 2nd Gate roundabout	14,900,000
	20,901,974

PROPERTY, PLANT AND EQUIPMENT

Movements in Property, Plant and Equipment during the year are shown in note 6 page 85. In the opinion of the Directors, the market value of the Company's properties are not lower than the value shown in the financial statements.

INDEPENDENT AUDITORS

In accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, Messrs BBC Professionals [Chartered Accountants] have expressed their willingness to continue in office as Independent Auditors to the Company. A resolution will be passed at the Annual General Meeting to authorize the Directors to fix the remuneration of the auditors.

Dated 15 June, 2017

By Order of the Board

Oluwayemisi Busari (Mrs.)
FRC/2013/NBA/00000004046
Company Secretary
Lagos, Nigeria.

To the Members of Honeywell Flour Mills Plc

Opinion

We have audited the accompanying financial statements of Honeywell Flour Mills Plc which comprise the statement of financial position as at 31 March, 2017, the income statement and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, explanatory notes to the financial statements including a summary of significant accounting policies as set out on pages 62 to 96.

In our opinion, the financial statements give a true and fair view of the financial position of Honeywell Flour Mills Plc as at 31 March, 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Financial Reporting Council Act No.6, 2011.

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 Responsibilties for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independent requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) .

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

Key Audit Matters

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

The key audit matters apply to the audit of the financial statements.

Revaluation of items of property, plant and equipments: Note 6

The property, plant and equipment of the Company were revalued during the financial year. This resulted to a revaluation surplus of N32 billion.
Consequently, the value of the property, plant and equipment maintained in the books increased as a result of the revaluation.

In view of the materiality of the revaluation surplus, this matter is considered a key audit matter in the financial statements only.

Audit Procedures
Our audit procedures included but not limited to the following:

Procedures
We evaluated and tested the computations of the valuation and the revaluation surplus as reported in the valuation report by the professional valuer. This involved checking the mathematical accuracy of the method used.

We performed relevant inquiries of the professional valuer on how the revaluation surplus was determined

We evaluated and checked the valuation basis, assumptions and methods adopted to ascertain its compliance with International Financial Reporting Standards (IFRS) 16: Property, Plant and Equipment and other relevant standards.

We evaluated and checked the useful lives of the revalued property, plant and equipment.
Our audit test, including the review of the respective items of property, plant and equipment which did not reveal any material misstatements.

Other information than the Financial Statements and Audit Report thereon
The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if 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.

Responsibility of the Directors for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 relating 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.

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

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

We also provide the audit committee and directors 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

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 benefits derivable by public by such communication.

Report on other Legal and Regulatory Requirements

In accordance with Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN, 2004 we expressly state that:

(I.) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii.) In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books; and

(iii.) The Company's statement of financial position and income statement are in agreement with the books of account and returns.

James O. Obogwu, FCA
FRC/2013/ICAN/00000002913
For: **BBC PROFESSIONALS**
Charterered Accountants
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 289688

30 June 2017

HONEYWELL FLOUR MILLS PLC

Audit Committee Report to Members of Honeywell Flour Mills Plc
For the Financial Year Ended 31 March, 2017

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004, we the members of the Audit Committee of Honeywell Flour Mills Plc received the Audited Financial Statements for the year ended 31 March, 2017 together with Management Control Report from the external auditors and management response thereto at duly convened meeting of the committee and hereby report as follows:

We confirm that:

(a) We reviewed the scope and planning of the audit requirements;

(b) We reviewed the external auditors' Management Control Report together with Management Responses; and

(c) We have ascertained the accounting and reporting policies of the company for the year ended 31 March, 2017 are in accordance with legal requirements and agreed with ethical practices

In our opinion, the scope and planning of the audit for the year ended 31 March, 2017 was adequate and Management Responses to the auditors' findings were satisfactory.

We confirm that the internal control system was being consistently and effectively monitored through effective Internal Audit.

The External Auditors confirmed that they received full co-operation from the management during the course of the statutory audit.

The Committee therefore recommend that the Audited Financial Statements for the year ended 31 March, 2017 and the External Auditors' Report thereon be presented for adoption at the Annual General Meeting.

Dated 13 June, 2017

……..………………………….

Alhaji Lateef Ayodeji Shonubi
For the Chairman, Audit Committee
FRC/2013/ICAN/00000001532

Members of the Audit Committee

Mr. Adebayo Adeleke	-Chairman/Shareholder
Alhaji Lateef Ayodeji Shonubi	-Shareholder
Dr. Tunji Odebunmi	-Shareholder
Lt. Gen. Garba Duba (Rtd)	-Director
Mr. Akinsoji Akintayo	-Director
Mr. Andrew Smith-Maxwell	-Director

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH, 2017	Notes	2017 N'000	2016 N'000
Assets			
Non-current assets			
Property, plant and equipment	6	**100,118,393**	53,757,796
Intangible assets	7	**21,431**	31,131
		100,139,824	53,788,927
Current assets			
Inventories	8	**4,515,525**	5,586,084
Trade and other current receivables	9	**871,697**	1,169,430
Cash and cash equivalents	10	**7,624,668**	15,502,135
		13,011,890	22,257,649
Total assets		**113,151,714**	76,046,576
Liabilities			
Current liabilities			
Financial liabilities	12	**18,521,614**	40,672,816
Trade and other payables	11	**7,478,658**	3,117,770
Current tax liabilities	16.2	**318,426**	422,639
Total current liabilities		**26,318,698**	44,213,225
Non-current liabilities			
Financial liabilities	12	**28,947,260**	10,617,246
Retirement benefit obligations	13	**1,039,364**	1,195,900
Deferred income and accruals	14	**-**	25,528
Deferred tax liabilities	16.4	**4,511,727**	3,632,078
Total non-current liabilities		**34,498,351**	15,470,752
Total liabilities		**60,817,049**	59,683,977
Equity			
Share capital	20	**3,965,099**	3,965,099
Share premium		**6,462,041**	6,462,041
Retained earnings	21	**41,907,525**	5,935,459
Total Equity		**52,334,665**	16,362,599
Total liabilities and equity		**113,151,714**	76,046,576

The financial statements and notes on pages 62 to 96 were approved by the Board of Directors on 15 June, 2017 and signed on its behalf by:

Dr. Oba Otudeko, D.Sc. Hon. CFR **Chairman** FRC/2013/ICAN/0000002365	Olanrewaju Bamidele Jaiyeola **Managing Director/CEO** FRC/2014/ICAN/00000008542	Mobolaji Fakayode **Financial Controller** FRC/2017/ICAN/00000016847

HONEYWELL FLOUR MILLS PLC

Income Statement
for the year ended 31 March, 2017

	Notes	2017 N'000	2016 N'000
Revenue	18	**53,227,891**	50,883,780
Cost of sales		**(40,515,269)**	(46,522,386)
Gross profit		**12,712,622**	4,361,394
Other Income	19	**1,211,846**	157,970
Selling and Distribution Expenses		**(3,418,285)**	(4,447,346)
Administrative Expenses		**(2,243,395)**	(2,121,583)
Results from operating activities		**8,262,788**	(2,049,565)
Finance Income		**934,350**	417,771
Finance Costs		**(3,727,305)**	(1,237,548)
Net finance cost		**(2,792,955)**	(819,777)
Profit/(loss) before taxation		**5,469,833**	(2,869,342)
Taxation	16.1	**(1,164,878)**	(154,510)
Profit/(loss) for the year		**4,304,955**	(3,023,852)
Earnings/(loss) per share			
Earnings/(loss) per share (kobo)		**54.29**	(38.13)

The notes on pages 67 to 96 form an integral part of these financial statements.

HONEYWELL FLOUR MILLS PLC

Statement of Other Comprehensive Income
for the year ended 31 March, 2017

	Note	2017 N'000	2016 N'000
Profit/(loss) for the year recognized in the income statement		**4,304,955**	(3,023,852)
Re-measurement of post-employment benefit obligation	13	**(337,571)**	(183,174)
Total comprehensive income/(loss)		**3,967,384**	(3,207,026)
Attributable to the owners of the Company		**3,967,384**	(3,207,026)
Total comprehensive income/(loss) for the year		**3,967,384**	(3,207,026)

The notes on pages 67 to 96 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 March, 2017

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
At 1 April, 2016	3,965,099	6,462,041	5,935,459	16,362,599
Additional tax liability	-	-	(110,914)	(110,914)
Profit for the year	-	-	4,304,955	4,304,955
Revaluation surplus	-	-	32,115,596	32,115,596
Other comprehensive income				
Actuarial loss	-	-	(337,571)	(337,571)
At 31 March, 2017	**3,965,099**	**6,462,041**	**41,907,525**	**52,334,665**
At 1 April, 2015	3,965,099	6,462,041	9,888,694	20,315,834
Provision for additional tax liability	-	-	(349,698)	(349,698)
Loss for the year	-	-	(3,023,852)	(3,023,852)
Dividend paid during the year			(396,510)	(396,510)
Other comprehensive income				
Actuarial loss	-	-	(183,174)	(183,174)
To 31 March, 2016	**3,965,099**	**6,462,041**	**5,935,459**	**16,362,599**

The notes on pages 67 to 96 form an integral part of these financial statements.

HONEYWELL FLOUR MILLS PLC

Statements of Cash Flows
for the year ended 31 March, 2017

	Notes	2017 N'000	2016 N'000
Cash flows from operating activities			
Cash generated from operations	17	**(1,726,849)**	10,401,823
Retirement benefit paid	13	**(305,876)**	(172,157)
Tax paid	16.2	**(500,356)**	(98,025)
Net cash flows (used in)/generated from operating activities		**(2,533,081)**	10,131,641
Cash flows from investing activities			
Interest received		**934,350**	417,771
Purchase of intangible assets	7	**-**	(4,383)
Purchase of property, plant and equipment	6	**(16,843,271)**	(6,467,588)
Proceeds from sales of property, plant and equipment		**52,058**	7,716
Net cash flows from investing activities		**(15,856,863)**	(6,046,484)
Cash flows from financing activities			
Interest payment		**(3,727,305)**	(1,237,548)
Proceeds from borrowings		**16,193,311**	18,328,626
Repayment of borrowings		**(2,719,542)**	(9,172,823)
Dividend paid		**-**	(396,510)
Cash generated from financing activities		**9,746,464**	7,521,745
Net (decrease)/increase in cash and cash equivalents		**(8,643,482)**	11,606,902
Cash and cash equivalents at 1 April		**15,496,289**	3,889,387
Cash and cash equivalents at 31 March	10	**6,852,807**	15,496,289

The notes on pages 67 to 96 form an integral part of these financial statements.

HONEYWELL FLOUR MILLS PLC

Notes to the Financial Statements
For the year ended 31 March, 2017

Index to Notes to the Financial Statements

HONEYWELL FLOUR MILLS PLC

1 REPORTING ENTITY

Honeywell Flour Mills Plc. was initially registered as Gateway Honeywell Flour Mills Limited on 21 June, 1983. A change in the company's ownership structure led to a change of the name to Honeywell Flour Mills Limited in June, 1995. The Company was converted to a Public Liability Company in 2008. Its shares were listed on the Nigerian Stock Exchange (NSE) in 2009. As part of its vertical integration strategy, the Company acquired 100% ownership of Honeywell Superfine Foods Limited, manufacturer of pasta and noodles in 2008.

Honeywell Flour Mills Plc. is a company domiciled in Nigeria. The Company is principally engaged in the manufacture and marketing of wheat-based products including flour, semolina, whole wheat meal, noodles and pasta.

2 BASIS OF PREPARATION

(a.) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) being Standards and Interpretations issued by the International Accounting Standards Board (IASB) in force at 31 December, 2013 and those issued thereafter. They have been prepared in line with IFRS accounting policies selected by the Company on transition to IFRS.

(b.) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for items measured at fair value and the use of actuarial methods for estimating certain employees benefits.

(c.) Functional and presentation currency

These financial statements are presented in the Nigerian Naira, which is the Company's functional currency. All financial information presented in Naira have been rounded to the nearest thousand.

(d.) Use of estimates and judgments

The preparation of the financial statements in conformity with the IFRS requires management to make judgments, estimates and assumption that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed in an on-going basis. Revision to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes
- measurement of defined benefit obligations; and
- provisions and contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statements of financial position at 1 April, 2011 for purposes of the transition to IFRS, unless otherwise indicated.

(a) Going Concern

The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the unforeseeable future. The Company continues to adopt the going concern basis in preparing its financial statements.

(b) Business Combination

Business combination involving entities under common control are outside the scope of IFRS 3. Management exercises its judgment to apply the pooling of interest method of accounting for business combination in accordance with IAS 8, 10 - 12. The IAS 8 and 12 allow management to consider the most relevant conceptual framework in developing an accounting policy where IFRS has no specific requirements.

Under a pooling of interests-type method, the acquirer accounts for the combination as follows

•the assets and liabilities of the acquiree are recorded at book value not fair value (although adjustments should be recorded to achieve uniform accounting policies);

•no goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately within Other Statements of Comprehensive Income;

•comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Company's business operating segments are identified by two factories located at Ikeja and Apapa. The Apapa factory manufactures flour, semolina, wheat meal and brown flour, while the Ikeja factory manufactures pasta and noodles.

(d) Foreign currency transactions

Foreign currency transactions are translated into Naira using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains / (losses) - net'.

(e) Property, Plant and Equipment

Land and building held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses.

All other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. All other Property, Plant and Equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flows hedges of foreign currency purchases of Property, Plant and Equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measure reliably. The carrying amount of the replaced cost is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of Property, Plant and Equipment is derecognized on disposal or when no future economic benefits is expected from its use. Gains or losses on disposal or de-recognition 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 income statement.

Depreciation is provided on components that have homogenous useful lives by using the straight line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The useful lives are as follows:

Buildings	20 - 50 years
Tools, Furniture/Fittings and Equipment	2 - 5 years
Vehicles	4 years
Land	Not depreciate

Assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement for the period.

(f) Intangible assets

(i) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with maintaining computer software programmes are recognized as expenses incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product and use or sell it;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads. Other development expenditure that do not meet these criteria are recognized as expenses as incurred. Development costs previously recognized as expense are not recognized as asset in subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

(ii) Amortization of Intangible assets

Intangible assets are amortized on a straight line basis in the income statement over their estimated useful lives, from the date that they are available for use. The estimated useful life of computer software for the current and comparative years is five (5) years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted for if appropriate.

(g) Financial assets

(I) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

-Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

-Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the financial statement.

-Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii)Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to received cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are substantially carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within 'other (losses) / gains - not in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.
- adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlates on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

(v)Impairment of non - financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are tested at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h)Inventories

Inventories are stated at the lower of cost and estimated net realizable value. Costs comprise direct material costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. Such classified spares are depreciated as property, plant and equipment over the useful life on a straight line basis.

(I) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. The collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the income statement.

(j) Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalization set out in IAS 38 'Intangible assets'.

(k) Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts include cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of acquisition. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

(l) Borrowing

Interest- bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payments is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognizes initially at fair value and subsequently measured at amortized cost using the effective interest method.

(n) Investments

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-to-maturity investments and loans and receivables are measured at amortized cost. Held-for-trading and available-for-sale investments are measured at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the income statements for the period.

(o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognized when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be acquired to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(p) Tax

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax and deferred tax are recognized in income statement except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax:

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- Companies Income tax - This relates to tax on revenue and profit generated by the company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.

- Tertiary Education tax - Tertiary education tax is based on assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such determination is made.

(q) Employee benefits
(I) Defined benefit plan

The defined benefit plan defines an amount of gratuity the employee will receive on retirement, dependent on date of employment, year of service and compensation. The defined benefit plan is being accounted for using the projected unit method that considers the rate of inflation, the degree of salary increases of employees, the retirement age among other factors.

The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using market rates on Government Bonds.

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

(ii) Defined contribution scheme
The Company operates a defined contribution plan which is funded by contributions from the Company and the employees. The Company's contribution is recognized as employee benefit expenses and charged to the income statement. The contributions of both the company and the employees are paid on a monthly basis to a pension fund administrator. The Company has no legal or constructive obligation to pay further contributions if the pension fund administrator does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when they are due.

(iii) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plan if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below:

I) Sale of goods

The Company manufactures and sells a range of products to the distributors and dealers. Sale of goods are recognized when the Company has delivered products to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified locations; the risks of obsolescence and loss have been transferred to the customers and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with discounts and rebates. Sales are recorded based on the price specified on the sales invoice net of the discounts, rebates and returns at the time of sale.

Sales are also recognized when the customer self-collect the product directly at the Company's premises during which the risks and rewards of ownership passes to the customer at the point of loading after the customer's delivery truck leaves the Company's premises.

No element of financing is deemed present where sales are made on agreed credit terms which are consistent with the market practice.

I) Interest income

Interest income is recognized using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends are recognized once paid.

(t) Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares held at the year end.

(u) Share Capital

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

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

4 Risk management

Risk management is inherent in the business operations of the Company. Management has set up processes and systems to identify, assess, monitor and control business risks including the following :-

(a) Credit risk

This refers to the risk that a trade debtor will default by failing to make payments in accordance with the agreed credit terms and conditions. The possible impact of the credit risk is poor Account Receivable assets quality arising from high level of bad and doubtful debts and possible impairment of shareholders' funds. The carrying amount of financial assets represents the maximum credit exposure.

Mitigating Measures

- Credit application follows rigorous and extensive credit review and approval processes.
- All credits are secured by insurance or bank bonds.
- Once conditions precedent to credit utilization are met by the customer, the approved credit is updated, monitored and controlled by the ERP on real times basis in accordance with credit terms.
- Credit utilization report are prepared and monitored on a daily basis.

b) Liquidity risk

This refers to the risk of Company's inability to finance its operation and meet its obligation when they become due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Mitigating Measures

- Efficient and effective working capital management.
- Efficient Naira facility management.
- Efficient funds management to eliminate idle funds, meet obligations as they fall due and reduce interest expenses to the minimum level.
- Liquidity and working capital management reports are prepared and monitored on daily basis.
- The Treasury Department is well structured and equipped under the management of a very experienced and well trained team.

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c) Market risk

Market risk is the risk of financial loss due to the change in value of the market risk factors. The Company is faced with the following market risk factors:

- Interest rate risk:- The risk that interest rate will change adversely at the money market.
- Foreign exchange risk:- The risk that foreign exchange rates will fluctuate unfavorably at the foreign exchange market.
- Commodity risk:- The risk that wheat prices will significantly increase at the international commodity markets.

Mitigating Measures

- Efficient management of exchange and interest rate risks including generation of relevant risk management reports for the monitoring and review on a daily and weekly basis.
- Monitor the money, capital and foreign exchange markets including micro and macroeconomic environment on a daily basis.
- Efficient management of the commodity risk by the Logistics and Supplies Department with a full-fledged experienced and well trained team in the area of wheat dynamics and procurement strategies.
- Monitoring of price dynamics and changes at the relevant Commodity Exchange Boards on a real time basis and take proactive decisions on a timely basis.
- The commodity risk affects the global milling industry as the wheat prices are determined at the international commodity markets. We usually increase product price in response to global volatility in wheat prices in order to recover some portion of the rise in wheat prices .

d) Operational Risk

This relates to the risk of loss resulting from inadequate or failed internal processes, controls, procedures, people, and systems. Operational risk is inherent in the business activities. These include risk of inadequate haulage partners required to achieve the company's objectives in terms of sales volume and profit; risk of wastages, downtime and other associated losses arising from inefficient plant operations; risk of breakdown of ERP and IT infrastructure or outright loss of critical operational/business data and information; risk of loss of company assets due to unexpected disaster which may affect business operations; risk of breakdown of internal control systems and misstatement of financial statements.

Mitigating Measures

- Efficient and effective maintenance culture to prevent down time and inefficient production operations.
- Control activities are an integral part of the Company's day to day operations and are defined at every business area.
- Existence of robust ERP and comprehensive computerization of internal business processes, systems and procedures.
- Existence of robust IT business continuity and disaster recovery programmes.
- All insurable business risks are assessed, identified and adequately covered/insured.
- Existence of documented standard operating procedures for all business activities.
- All key positions have a minimum of one under-study who can assume the roles immediately with minimum support, and eventually grow into the position.
- The Company continually train talents to meet its future skill requirements.
- Continuous recruitment of qualified haulage contractors to meet corporate requirements and prevent shortage of delivery trucks. The Company also acquired and managed some of its delivery trucks e.g. bulk flour loading trucks.
- It has a strong, active and experienced Internal Audit Team. Internal Audit Reports highlighting control weaknesses periodically to the Management and Board Audit Committee.
- The Company's internal control and risk management systems ensure that material errors or inconsistencies in the financial statements are identified and corrected. Financial Statements are prepared in accordance with accounting standards and policies.
- Financial statements are prepared periodically on monthly and quarterly bases for the review of the Management and Board. Performance are monitored and compared with budgets.

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5 New accounting standards issued but not yet adopted

The following new standards, amendments and interpretations have been issued by the IASB but are not yet effective for the financial year beginning 1 April, 2015 and have not been early adopted by Honeywell Flour Mills Plc. (the list does not include information about new pronouncements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the Company).

IFRS 14 - Regulatory Deferral Accounts

IFRS 14: Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

The objective of IFRS 14 is to specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.

IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities.

Where an entity elects to apply it, IFRS 14 is effective for an entity's first annual IFRS financial statements that are for a period beginning on or after 1 January 2016. The standard can be applied earlier, but the entity must disclose when it has done so.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. [IFRS 15:1] Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application is permitted.

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

IFRS 16 leases

The International Accounting Standard Board (IASB or Board) issued IFRS 16 Leases on 13 January, 2016. The new standard requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The new standard will be effective for annual periods beginning on or after 1 January, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from contracts with customers, has been applied or is applied at the same date as IFRS 16. It is not expected that this amendment would be relevant to the Company.

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit loses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

Notes to the Financial Statements
for the year ended 31 March, 2017

6 **PROPERTY, PLANT AND EQUIPMENT**

a) **COST**	Land N'000	Building N'000	Capital work in progress N'000	Plant and machinery N'000	Furniture And Equipment N'000	Motor vehicles N'000	Total N'000
At 1 April, 2016	5,660,603	8,505,938	26,917,922	19,752,245	332,630	851,234	62,020,572
Of additions	3,800,000	-	12,921,897	25,122	45,017	51,235	16,843,271
Reclasification	-	2,173,015	(2,173,015)	-	-	-	-
Valuation	-	15,972,567	-	15,734,523	25,079	383,428	32,115,597
Of disposals	-	-	(34,120)	(155,979)	-	(350)	(190,449)
At 31 March, 2017	**9,460,603**	**26,651,520**	**37,632,684**	**35,355,911**	**402,726**	**1,285,547**	**110,788,991**
DEPRECIATION							
To 1 April, 2016	-	944,974	-	6,522,404	243,535	551,863	8,262,776
Charge for the year	-	434,424	-	1,866,685	44,207	174,314	2,519,630
On disposals	-	-	-	(111,470)	-	(338)	(111,808)
To 31 March, 2017	**-**	**1,379,398**	**-**	**8,277,619**	**287,742**	**725,839**	**10,670,598**
CARRYING AMOUNT							
At 31 March, 2017	**9,460,603**	**25,272,122**	**37,632,684**	**27,078,292**	**114,984**	**559,708**	**100,118,393**
At 31 March, 2016	5,660,603	7,560,964	26,917,922	13,229,841	89,095	299,371	53,757,796

Depreciation expenses of N2.235b (2016:N1.767b) has been charged in 'cost of goods sold', N103.486m (2016: N78.296m) in 'selling and distribution costs' and N180.735m (2016:N144.409m) in administrative expenses'.

b) Property, plant and equipment were professionally revalued on 01 April, 2016 by Ubosi Eleh & Co (Estate Surveyors and Valuers) on the Open Market Valuation basis and are used as reference to determine their fair value in the financial year. The open market represent the price which an interested party in a property or an item of plant and machinery might reasonably be expected to realize in a sale by private treaty assunming the following:

I) a willing buyer;
ii) a reasonable period within which to negotiate the sale taking into consideration the nature of the assets and the state of the market;
iii) values will remain static throughout the period;
iv) the assets will be freely exposed to the market
v) no account is to be taken of an additional bid by a special purchaser; and
vi) no account is to be taken of expenses of realization which may arise in the event of a disposal.

INTANGIBLE ASSETS	2017 N '000	2016 N '000
At 1 April 2016	**52,929**	51,040
Additions	**-**	4,383
Disposals	**-**	(2,494)
At 31 March 2017	**52,929**	52,929
	========	========
Amortization and impairment		
At 1 April 2016	**21,798**	14,194
Amortization for the year	**9,700**	9,277
Disposals	**-**	(1,673)
At 31 March 2017	**31,498**	21,798
	========	========
Net carrying amount	**21,431**	31,131
	========	========

Amortization expenses of N9.700m (2016: N9.277m) has been charged in 'administrative expenses'.

8 INVENTORIES	2017 N '000	2016 N '000
Raw materials and consumables	**3,590,840**	5,351,144
Work-in-progress	**186,858**	110,740
Finished goods	**458,251**	124,200
Goods-in-transit	**279,576**	-
	4,515,525	5,586,084
	=========	=========

The amount of write down of inventories recognised as an expenses is N49.18 million (2016: N43.67 million). This expense is included in cost of sales and selling and distribution expenses. Inventory recognised as expenses during the period totaled N5.52 million (2016: N54.67 million).

There are no inventories pledged as security for liabilities.

9 TRADE AND OTHER CURRENT RECEIVABLES	2017 N '000	2016 N '000
Gross trade receivables	**834,854**	744,251
Allowance for impairment losses	**(510,295)**	(395,231)
Net trade receivables	**324,559**	349,020
Advance and prepayments	**547,138**	820,410
	871,697	1,169,430
	========	=========

	2017 N '000	2016 N '000
Analysis of Trade Receivables		
The analysis below shows the changes in the allowance for impairment losses in the year.		
Ageing of trade receivables		
Total trade receivables	**834,854**	744,251
Less: impairment provision for trade receivables	**(510,295)**	(395,231)
	324,559	349,020
	=========	=========
of which:		
Carrying amount neither past due nor impaired	**200,475**	217,921
Carrying amount past due but less than three months	**39,263**	64,546
Carrying amount past due for more than three month but less than six months	**82,066**	59,157
Carrying amount past due for more than six months but less than one year	**77,519**	79,405
Carrying amount past due more than one year	**435,531**	323,222
	834,854	744,251
Impairment for trade receivables	**(510,295)**	(395,231)
	324,559	349,020
	=========	=========
Impairment provision for trade and other receivables		
At 1 April	**395,230**	409,398
Charge to income statement for the period	**115,065**	71,636
Allowance no longer required	**-**	(85,804)
At 31 March	**510,295**	395,230
	=========	=========

a. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. The Company holds insurance/bank bonds as security against default.
b. Impairment allowance is made when there is objective evidence that the Company will not be able to collect the debts. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts. Bad debts are written off when identified.
c. As at 31 March, 2017, trade receivables of N200 million (2016: N218 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Analysis of customer credit risk were performed on the customers.
d. The amount of the provision for impairment was N510 million as at 31, March 2017 (2016: N395 million). The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Plans are in place to ensure substantial recovery of the receivables. The Company engaged on series of debt drive during the financial year.

Impairment losses are presented in the income statement with selling and marketing expenses.

	2017 N '000	2016 N '000
10 CASH AND CASH EQUIVALENTS		
Bank and cash balances	**3,869,064**	11,864,130
Short term deposits	**3,755,604**	3,638,005
Balance as stated in the statement of financial position as at 31 March	**7,624,668**	15,502,135
Less bank overdrafts shown as liabilities in the statement of financial position	**(771,861)**	(5,846)
Cash and cash equivalents	**6,852,807**	15,496,289

There is no material difference between the fair value and the carrying amount of cash equivalents.

Short term deposits represent temporary excess of liquidity invested in low-risk short-term bank deposits with a maturity not exceeding 365 days. Included in the short-term deposits is unclaimed dividend returned by the Company's Registrar in line with Securities and Exchange Commission directive.

	2017 N '000	2016 N '000
11 TRADE AND OTHER PAYABLES		
Due within one year		
Trade payables	**1,240,177**	1,847,807
Accruals and other payables	**6,148,244**	1,204,515
Pension and sundry taxes	**6,990**	6,435
Unclaimmed dividend	**83,247**	59,013
Balance at 31 March	**7,478,658**	3,117,770

Accrued liabilities represent contractual liabilities that relate respectively to expenses that were incurred but not paid for at the year-end.

The carrying amount of trade and other payables and accrued liabilities is considered to be in line with their fair value at the reporting date.

The unclaimed dividend represents amount returned by the Company's Registrar in line with Securities and Exchange Commission directive that all unclaimed dividend in the custody of the registrars should be returned to the paying company 12 months after the date of approval of dividend at a general meeting.

	2017 N '000	2016 N '000
12 FINANCIAL LIABILITIES		
Current loans and advances		
Bank loans	**1,070,401**	16,370,008
Bank overdrafts	**771,861**	5,846
Import finance facilities	**16,679,352**	24,296,962
	18,521,614	40,672,816
Non-current loans and advances		
Bank loans	**28,947,260**	10,617,246
	28,947,260	10,617,246

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d) The carrying amounts and fair value of the non-current borrowings are as follows. The fair values are based on cash flows discounted using rate based on the average borrowing rate of 15% (2016:12%)

	Carrying Amount		Fair Value	
	2017	2016	**2017**	2016
	N'000	N'000	N'000	N'000
Skye Bank Plc	2,312,485	1,825,297	2,312,485	1,825,297
First bank of Nigeria Limited	1,200,857	2,334,720	1,200,857	2,334,720
First bank of Nigeria Limited - Term loan	11,217,028	-	11,217,028	-
First bank of Nigeria Limited (CBN Intervention Fund)	666,667	850,562	666,667	850,562
Fidelity Bank Plc - Term Loan	7,086,000	-	7,086,000	-
Diamond Bank Plc - Term Loan	951,000	-	951,000	-
Bank of industry Limited	5,513,222	5,606,667	5,513,222	5,606,667
	28,947,259	10,617,246	28,947,259	10,617,246

The loan from Bank of Industry Limited (BOI) was granted to the Company to finance the new Pasta Factory located at Sagamu. The loan has a tenor of seven (7) years inclusive of two (2) years moratorium on principal repayment beginning from date of first disbursement. Interest rate on the loan is 10%. The loan and accrued interest on the Bank of Industry's (BOI) loan was guaranteed by Skye Bank Plc.

The loans from Fidelity Bank Plc and First Bank of Nigeria Limited were restructured during the financial year. An extention of repayment period was agreed with a change in terms of agreement.

13 RETIREMENT BENEFIT OBLIGATIONS

The Company has both defined benefit and defined contribution plans.

Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the funds does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The Company operates funded defined benefit plans for qualifying employees of the Company. The plan was funded by N450 million during the financial year.The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of planned assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March, 2017 by KDA Associates. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

The amount recognized in the statement of financial position is determined as follows:

	2017	2016
	N '000	N '000
At 1 April	1,195,900	962,209
Interest cost	173,598	140,464
Current service cost	88,171	82,210
Benefits paid	(305,876)	(172,157)
Actuarial (gain) / loss due to change in experience	337,571	183,174
Present value of funded obligations	1,489,364	1,195,900
Fair value of Plan Assets	(450,000)	-
Balance as stated in the statement of financial position as at 31 March	1,039,364	1,195,900

The principal actuarial assumptions are as follows:

Actuarial Method : Projected Unit Method
Discount rate : 14%
Rate of Salary escalation : 15% per annum
Retirement Age : 60 years
Pre-retirement mortality : A67/70 Ultimate
Withdrawal : Based on the average experience of other similar arrangements adjusted for the company's experience
Expenses : No explicit allowance.

	2017	2016
14 Deferred Income and Accruals	N '000	N '000
Deferred income and accruals	-	25,528

	2017	2016
15 PROFIT BEFORE TAXATION	N '000	N '000
The following items have been charged/credited in arriving at loss before tax:		
Depreciation	2,519,630	1,990,705
Allowance for bad and doubtful receivables	115,065	71,636
Auditors' remuneration	14,000	15,000
Directors' emoluments:		
Fees	15,144	18,666
Others	36,328	35,184
Finance cost	3,727,305	1,237,548
And crediting		
Profit on disposal of fixed assets	-	6,199
Finance income	934,350	417,771

HONEYWELL FLOUR MILLS PLC

	2017 N '000	2016 N '000
16 TAXATION		
.1 Income Statement		
Current company income tax	**201,170**	39,809
Education tax	**83,951**	-
Capital gain tax	**108**	
	285,229	39,809
Deferred tax provision on origination and reversal of temporary differences	**879,649**	114,701
Tax charge to income statement	**1,164,878**	154,510

.2 Current tax liabilities

The movement in current tax balance is as follows:

	2017 N '000	2016 N '000
At 1 April	**422,639**	131,157
Charge for the year	**285,229**	39,809
Additional liability	**110,914**	349,698
	818,782	520,664
Payment during the year	**(500,356)**	(98,025)
At 31 March	**318,426**	422,639

The provision for income tax is based on the provision of the Companies Income Tax Act (LFN CAP 60) as amended, while education tax is based on Education Tax Act No. 7 CAP E4 LFN, 2004.

.3 Pioneer Status

The Company was granted Pioneer Status Certificate for the new Mills E & F production plant in Apapa Factory. The required Certificate of Production Day, from the Industrial Inspectorate Department of the Federal Ministry of Industry, Trade and Investment has been formally issued with the commencement date of 1 April, 2013 for the Pioneer Status Incentive. This will enable the Company to enjoy a 5-year Tax Holiday on the new Mills.

The ERP of the Company has been designed to ensure a separate accounting for the new Mill. The new Mill is self-accounting in order to prepare an independent Income Statement and Statement of Financial Position for its operations. The new Mill was at the peak of its installed capacity during the year. Turnover and Profit Before Tax relating to the new Mill for the year ended 31 March, 2017 were **N35.258 Billion** (2016: 26.966 Billion) and (**N3.031 Billion)** (2016: 1.523 Billion) respectively.

	2017 N '000	2016 N '000
.4 Deferred tax		
Per income statement		
Charge to income statement for the year	**879,649**	114,701

Per statement of financial position

The movement in deferred tax is as follows:

Deferred tax liability		
At 1 April	**3,632,078**	3,517,377
Charge for the year	**879,649**	114,701
At 31 March	**4,511,727**	3,632,078

17 STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been drawn up using the indirect method. Working capital comprises inventories, receivables and current liabilities (excluding bank overdrafts). The cash flows from investing activities relates to the net amount of investments and disposals whilst the cash position consists of cash in hand and at bank.

	2017 N '000	2016 N '000
.1 Cash flows from operating activities		
Reconciliation of net profit to operating profit before working capital changes		
Profit/(loss) before tax	**5,469,833**	(2,869,342)
Adjustments for non cash items:		
Depreciation of property, plant and equipment	**2,519,630**	1,990,705
Profit/(loss) on disposal of property, plant and equipment	**26,673**	(6,199)
Write-off of intangible assets	**-**	820
Amortization of intangible assets	**9,700**	9,277
Revaluation surplus	**(32,115,596)**	-
Non-current financial liabilities	**15,745,653**	-
Interest income	**(934,350)**	(417,771)
Interest expense	**3,727,305**	1,237,548
Net charge in retirement benefit obligations	**261,769**	222,674
Operating (loss)/profit before working capital changes	**(5,289,383)**	167,713
.2 Working capital changes		
Decrease/(increase) in inventories	**(1,070,559)**	6,960,384
Decrease in deferred income and accruals	**(25,528)**	(47,457)
Decrease in trade and other receivables	**297,733**	1,017,903
Increase in trade and other payables	**4,360,888**	2,303,280
	3,562,534	10,234,110
Cash generated from operations	**(1,726,849)**	10,401,823

18 SEGMENT REPORTING

The Company's business operating segments are identified by two Factories located at Ikeja and Apapa.

The chief operating decision maker, who is responsible for allocating resources and accessing performance of the operating segments, is the Board of Directors.

The Board reviewed the Company's monthly financial and operational information in order to assess its performance and allocate resources.

The chief operating decision maker assesses the performance based on operating profits for each operating segments. Below is the summary of the operations from the two segments of the Company:

	2017			2016		
	Ikeja N '000	Apapa N '000	Total N '000	Ikeja N '000	Apapa N '000	Total N '000
.1 Revenue and Result						
Revenue	9,648,581	43,579,310	53,227,891	9,672,845	41,210,935	50,883,780
Cost of sales	(7,991,493)	(29,730,776)	(37,722,269)	(9,121,090)	(37,401,296)	(46,522,386)
Gross profit	1,657,088	13,848,534	15,505,622	551,755	3,809,639	4,361,394
Other income	27,530	41,295	68,825	52,112	105,858	157,970
Foreign exchange gain	223,269	893,077	1,116,346	-	-	-
Selling & admin expenses and net interest expenses	(1,127,001)	(4,508,005)	(5,635,006)	(968,608)	(5,600,321)	(6,568,929)
Segment operating profit/(loss)	780,886	10,274,901	11,055,787	(364,741)	(1,684,824)	(2,049,565)

HONEYWELL FLOUR MILLS PLC

		2017 N '000	2016 N '000
.2	**Revenue by geographical location of customers:**		
	Domestic (within Nigeria)	**53,227,891**	50,833,780
	Export (outside Nigeria)	**-**	-
		53,227,891	50,833,780
	All sales were made within Nigeria		
19	**OTHER INCOME**		
	Other income comprises the following:		
	Sale of by-products	**72,736**	80,703
	Net gain on sale of property, plant and equipment	**-**	6,199
	Raw wheat sales	**-**	44,108
	Allowance no longer required	**-**	14,167
	Exchange gain	**1,116,347**	-
	Sundry income	**22,763**	12,793
		1,211,846	157,970
20	**SHARE CAPITAL**		
	Authorized		
	8,000,000,000 ordinary shares of 50k each	**4,000,000**	4,000,000
	Issued and fully paid		
	7,930,197,658 (2016: 7,930,197,658) ordinary shares of 50k each	**3,965,099**	3,965,099
21	**RETAINED EARNINGS**		
	At 1 April	**5,935,459**	9,888,694
	Profit/(loss) transferred from profit or loss	**4,304,955**	(3,023,852)
	Provision for additional tax liability	**(110,914)**	(349,698)
	Dividend paid during the year	**-**	(396,510)
	Actuarial loss	**(337,571)**	(183,174)
*	Revaluation surplus	**32,115,596**	-
		41,907,525	5,935,459

* This represents surplus from the revaluation of property, plant and equipment during the year.

22 **CHAIRMAN'S AND DIRECTORS' EMOLUMENTS, PENSIONS AND COMPENSATION FOR LOSS OF OFFICE**

The remuneration paid to Directors was

		2017	2016
.1	Fees:		
	Chairman	**1,600**	1,600
	Other directors	**13,544**	17,066
		15,144	18,666
.2	Fees and other emoluments disclosed above include amount paid as:		
	Fees	**15,144**	18,666
	Other emoluments	**36,328**	35,184
		51,472	53,850

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22 CHAIRMAN'S AND DIRECTORS' EMOLUMENTS (CONT'D)

.3 Number of directors (excluding the chairman) whose emoluments were within certain ranges were:	**Number**	Number
N100,000 and above	**13**	13
	========	========
.4 Waived emoluments		
Number of directors waived its right to receive emoluments		
Aggregate of those emoluments	**-**	-
	========	========

.5 Pensions were not paid to existing and past directors

.6 No compensation for loss of office was paid to any of the directors.

23 EMPLOYEES AND RELATED REMUNERATION

Number of employees in receipt of emoluments excluding allowances were within the following ranges:

			Number	Number
N500,001	-	N1,000,000	425	485
N1,000,001	-	N1,500,000	65	89
N1,500,001	-	N2,000,000	30	45
N2,000,001	-	N2,500,000	59	73
N2,500,001	-	N3,000,000	15	20
N3,000,001	-	N3,500,000	23	33
N3,500,001	-	N4,000,000	16	23
N4,000,001	-	N4,500,000	12	17
N4,500,001	-	N5,500,000	14	16
N5,500,001	-	N6,000,000	10	11
N6,000,001	-	Above	31	32
			700	844
			=========	=========

24 CONTINGENT LIABILITIES, GUARANTEES AND OTHER FINANCIAL COMMITMENTS

i **Charges**

The Company has loan facilities with First Bank of Nigeria Limited secured by All Assets Debenture.

ii **Financial commitments**

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statements under review. These liabilities are relevant in assessing the Company's state of affairs as at 31 March, 2017.

iii **Legal charges**

There is litigation against the Company as at 31 March, 2017 the outcome of which had not been determined. However, the Directors having sought legal advice of professional counsel are of the opinion that no material liabilities will arise in the ordinary course of business. No provision was made in the financial statements to that respect

HONEYWELL FLOUR MILLS PLC

25 LOANS AND OTHER TRANSACTIONS FAVOURING DIRECTORS AND OFFICERS

a) During the year, the Company guaranteed no loan in favour of its Directors and Officers.
b) No loans were given to the Directors to purchase the Company's shares during the year.

26 CONTRAVENTIONS

There was no contravention of any sort during the financial year.

27 COMPARATIVE FIGURES

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

28 EARNINGS PER SHARE

The Earnings Per Share (EPS) is calculated by dividing the profit attributable to ordinary shareholders by the number of ordinary shares issued as at 31 March, 2017.

29 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company on 15 June, 2017.

30 SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing its financial statements, the Company has made significant judgments, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and make sure that they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgments made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The Company makes provisions for trade discounts, volume rebates and charge back for product returns allowed by the sale contracts when recognizing the revenue derived from sales of its products. Such deductions represent estimates, which are subject to judgments and assumptions based on past experience as well as the company's knowledge available at the time the estimate is made.

Allowance for doubtful receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgment and may materially affect the carrying amount of receivables at the reporting date.

Asset impairment tests

A financial asset or a group of financial assets, other than those categorized at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Company ascertains that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgment.

The amount of impairment loss recognized for financial assets carried at amortized cost is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is written down to their estimated realizable value when their cost may no longer be recoverable, such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realizable value represents the best estimate of the recoverable amount, based on the most reliable evidence available at the reporting date and inherently involve estimates regarding the future expected realizable value. The benchmarks for determining the amount of write-downs to net realizable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and may materially affect the carrying amount of inventories at the reporting date.

Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realization ultimately depends on taxable profits being available in the future. Deferred tax assets are recognized only when it is probable that taxable profits will be available against which the deferred tax asset can be utilized and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

Actuarial assumptions on defined benefit retirement plans

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefit obligations are measured using the Projected Unit Method, according to which the Company has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques.

HONEYWELL
FLOUR MILLS PLC

STATEMENT OF FINANCIAL POSITION	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Property, plant and equipment	**100,118,393**	53,757,796	49,282,429	36,085,450	34,969,128
Intangible assets	**21,431**	31,131	36,846	12,332	15,904
Inventories	**4,515,525**	5,586,084	12,546,468	11,287,037	10,009,275
Trade and other receivables	**871,697**	1,169,430	2,187,332	5,874,818	6,868,962
Cash and bank balances	**7,624,668**	15,502,135	3,890,369	10,570,802	3,574,209
Total assets	**113,151,714**	76,046,576	67,943,444	63,830,439	55,437,478
Current liabilities	**(26,318,698)**	(44,213,225)	(31,860,220)	(28,059,339)	(27,503,156)
Non-current liabilities	**(34,498,351)**	(15,470,752)	(15,767,390)	(15,165,852)	(9,381,239)
Total net assets	**52,334,665**	16,362,599	20,315,834	20,605,248	18,553,083
Share capital	**3,965,099**	3,965,099	3,965,099	3,965,099	3,965,099
Share premium	**6,462,041**	6,462,041	6,462,041	6,462,041	6,462,041
Retained earnings	**41,907,525**	5,935,459	9,888,694	10,178,108	8,125,943
Capital employed	**52,334,665**	16,362,599	20,315,834	20,605,248	18,553,083
STATEMENT OF COMPREHENSIVE INCOME					
Revenue	**53,227,891**	50,883,780	49,057,511	55,084,305	45,709,382
Profit/(loss) before tax & after exceptional item	**5,469,833**	(2,869,342)	1,434,828	4,237,432	3,814,599
Taxation	**(1,164,878)**	(154,510)	(314,561)	(885,868)	(971,079)
Profit/(loss) after tax	**4,304,955**	(3,023,852)	1,120,267	3,351,564	2,843,520
Transfer to revenue reserve	**4,304,955**	(3,023,852)	1,120,267	3,351,564	2,843,520
Profit/(loss) attributable to:					
Equity shareholders	**4,304,955**	(3,023,852)	1,120,267	3,351,564	2,843,520
Earnings/(loss) per 50k share [k]	**54.29**	(38.13)	14.13	42.26	35.86
Net assets per 50k share [k]	**659.94**	206.33	256.18	259.83	233.95

NOTE: Earnings and net assets per share are based on 7,930,197,658 ordinary shares of 50k each and profit after tax as at the date of these financial statements.

	2017 N'000	%	2017 N'000	%
Revenue	**53,227,891**		50,883,780	
Other revenue	**1,211,846**		157,970	
	54,439,737		51,041,750	
Bought in goods and services	**(41,060,431)**		(49,177,687)	
VALUE ADDED	**13,379,306**	**100**	1,864,063	100
	=========	===	=========	===
APPLIED AS FOLLOWS:				
1 **To pay employees**				
Salaries and wages, pension and social benefits	**1,662,538**	**12**	1,505,152	81
2 **To pay providers of funds**				
Finance expenses	**3,727,305**	**28**	1,237,548	66
3 **To pay government**				
Income and education taxes	**285,229**	**2**	39,809	2
4 **To provide for maintenance and expansion of assets**				
Depreciation	**2,519,630**	**19**	1,990,705	107
Deferred tax	**879,649**	**7**	114,701	6
Retained Profit/(loss)	**4,304,955**	**32**	(3,023,852)	(162)
VALUE ADDED	**13,379,306**	**100**	1,864,063	100
	========	===	========	===

Note: Value added is the wealth created by the efforts of the Company and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

Unclaimed Dividend

The Unclaimed Dividend as at August 4, 2017 is as analysed below.

Dividend Range	2010 Unclaimed Dividend		2011 Unclaimed Dividend		2012 Unclaimed Dividend		2013 Unclaimed Dividend		2014 Unclaimed Dividend		2015 Unclaimed Dividend		Total Amount N'000
	Number of Shareholders	Amount N'000	Number of Shareholders	Amount N'000	Number of Shareholders	Amount N'000	Number of Shareholders	Amount N'000	Number of Shareholders	Amount N'000	Number of Shareholders	Amount N'000	
Above - N1,000,000	-	-	-	-	1	1,107	-	-	2	2,639	3	35,634	39,381
N100,000 - N1,000,000	-	-	5	893	4	681	12	3,080	13	2,565	4	757	7,977
N50,000 - N99,999	6	440	4	266	9	583	17	1,159	26	1,938	6	417	4,804
N10,000 - N49,999	30	657	43	671	74	1,406	130	2,592	140	2,739	43	862	8,926
N1,000 - N9,999	503	1,103	1,023	1,936	1,314	2,944	1,536	3,641	1,717	4,327	586	1,566	15,517
Less than N1,000	13,343	2,880	14,020	3,213	14,975	3,945	15,180	4,210	16,032	4,728	19,821	2,479	21,454
Total	**13,882**	**5,080**	**15,095**	**6,979**	**16,377**	**10,666**	**16,875**	**14,682**	**17,930**	**18,935**	**20,463**	**41,716**	**98,058**
Total Declared Dividend (in Years)		872,322		1,031,000		1,189,530		1,268,831		1,348,134		396,510	6,106,326
% of Unclaimed Dividend		0.6%		0.7%		0.9%		1.2%		1.4%		10.5%	1.6%

Detailed list of Unclaimed Dividends can be viewed or downloaded from the Company's website at *www.honeywellflour.com*

Share Capital History

Year	Authorized (N'000)		Issued & Fully Paid-up (N'000)		Consideration
	Increase	Cumulative	Increase	Cumulative	
1990	-	10,000	-	2	Cash @ N1 each
1991	-	10,000	-	2	Cash @ N1 each
1992	-	10,000	-	2	Cash @ N1 each
1993	-	10,000	-	2	Cash @ N1 each
1994	-	10,000	-	2	Cash @ N1 each
1995	40,000	50,000	49,998	50,000	Cash @ N1 each
2001	160,000	210,000	160,000	210,000	Cash @ N1 each
2003	790,000	1,000,000	790,000	1,000,000	Cash @ N1 each
2008	1,000,000	2,000,000	999,999	1,999,999	Acquisition of Honeywell Superfine Foods Limited
2008	-	2,000,000	-	1,999,999	Share Split of N1 to N0.50
2008	2,000,000	4,000,000	1,500,000	3,499,999	Bonus Issue of 3 to 4 shares
2009	-	4,000,000	465,100	3,965,099	Public Issue @ N8.50 each

HONEYWELL
FLOUR MILLS PLC

PROXY FORM

HONEYWELL FLOUR MILLS PLC
8TH ANNUAL GENERAL MEETING TO BE
HELD AT 11.00 AM
ON FRIDAY SEPTEMBER 22 2017
AT THE CIVIC CENTRE,
OZUMBA MBADIWE STREET,
VICTORIA ISLAND, LAGOS.

(Name of Shareholder in block letters)
The undersigned, being a member/members of the above-Named Company hereby appoint the Chairman of the meeting Or failing him...
..............as my/our Proxy to vote me/us and On my/our behalf at the Annual General Meeting of the Company to be held on September 22, 2017 and at any adjournment thereof."
Unless otherwise instructed, the proxy will vote or abstain from Voting as he/she thinks fit.
Dated this..............................day of...2017
Signature...

Notes
1.Please sign this proxy card and send it to reach the Registered office of the Company or its Registrars not less than 48 Hours before the time fixed for the meeting.

2.If executed by a corporation, the proxy card should be Sealed with the common seal.

3.This proxy card will be used both by show of hands,
And in the event of a poll being directed or demanded

RESOLUTION	FOR	AGAINST
1. To adopt the Annual Report and Accounts 2. To declare Dividend 3. To re-elect the following Directors: Dr. Oba Otudeko, CFR Lt. Gen. Garba Duba (Rtd.) Dr. Nino Ozara Mr. Oluranti Sokunbi 4. To authorize the Directors to fix Auditors remuneration. 5. To appoint members of the Audit Committee		

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

Before posting the above form please tear off this part and retain it for admission to the meeting

ADMISSION FORM

HONEYWELL FLOUR MILLS PLC (RC55495)
8TH ANNUAL GENERAL MEETING TO BE HELD at Civic Center Ozumba Mbadiwe street, Victoria Island Lagos on Friday September 22, 2017 at ll a.m

Name of Shareholder*..

Name of Proxy*...

If you are unable to attend the meeting
A member (shareholder) entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A Proxy need not be a member. The above proxy form has been prepared to enable you to exercise your right to vote.,

Important
Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person where a member of the Company or not, with the exception of the Company who will attend the meeting and vote on your behalf.

HONEYWELL
FLOUR MILLS PLC

ELECTRONIC DELIVERY MANDATE FORM

I / We/ Chief/ Dr/ Mr/ Mrs.

Title:

Name:

Address:

hereby agree to the delivery of Annual Report and other statutory documents of Honeywell Flour Mill Plc to me/us via electronic mode:

The Company should forward the materials to the email address stated below:

e-mail address : ....

Signature : ....

The Registrar
First Registrars and Investor Services Limited
Plot 2, Abebe Village Road
Iganmu
Lagos.

HONEYWELL FLOUR MILLS PLC

KEY DISTRIBUTORS

S/N	NAMES	LOCATION
1	ABIOLA ARAMIDE OLAOLUWA NIG.ENT.	WEST
2	ADEBIYI MERCHANTS STORES	LAGOS
3	ADIDOT NIGERIA ENTERPRISES	WEST
4	AHMED KHALID YUSUF	NORTH
5	ALPHA BROTHERS U ASSOCIATES	NORTH
6	B. ZION ENTERPRISES	WEST
7	BASCILICA ENT. NIG. LTD	EAST
8	BEKDAT VENTURES.	NORTH
9	BLESSED CHIMA UMEH ENTERPRISES	EAST
10	BOFIK NIGERIA LTD	LAGOS
11	CASANTHONIO NIGERIA LTD	LAGOS
12	CHATNIA RESOURCE NIGERIA LIMITED	LAGOS
13	COSSY BROS INTERN LTD	LAGOS
14	DUCANE	WEST
15	DUROL FARM	NORTH
16	EBENEZER DAIRO ENTERPRISES.	LAGOS
17	ECO- GREEN	NORTH
18	EDUMORE INTEGRATED RESOURCES LTD	EAST
19	EL- RASHEED	LAGOS
20	EMMANUEL ALAGBE	LAGOS
21	EYITA FARM	LAGOS
22	FAITH FOODS AND CONFECTIONERIES	EAST
23	FARM FRESH	LAGOS
24	FERMADONS ENTERPRISES	WEST
25	FLG (G ODUNTAN)	LAGOS
26	FLOWALE	NORTH
27	FOL-HOPE FARM	NORTH
28	FRANCIS OGBORO	NORTH
29	HAMISU ALHASSAN	NORTH
30	ICI HOLDINGS LIMITED	EAST
31	J C JOSEPH INDUSTRIES LIMITED	EAST
32	J.C.ANUGWU & SONS NIG.LTD	EAST
33	KAYJAY ZENITH LTD	LAGOS
34	LASOL NIGERIA LTD.	LAGOS
35	LOLLY GLOBAL STORES.	LAGOS
36	MAIDUGU A. YUSUF	NORTH
37	MICHELLE EDMUND VENTURES	WEST
38	MURTALA ABDULLAHI TRADING	NORTH
39	NAFEEYU INT'L TRADING LTD	NORTH
40	NEKVINE VENTURES	LAGOS
41	OGENE CONCERNS LIMITED	EAST
42	OLAMBE NIG LTD	WEST
43	OLAYIWOLA STORES JOS	NORTH
44	OLORIEGBE NIGERIA LIMITED.	WEST
45	OLSAM FAM	WEST
46	OLU FARMS	WEST
47	OLUWASESAN SOSE ENTERPRISES	WEST
48	PAYLESS STORES	LAGOS
49	PERONE FARM	LAGOS
50	PREMIUM FARM	NORTH
51	PROGRESS CONFECTIONERY VENTURES	EAST
52	QUAD & KAY VENTURES	LAGOS
53	RABIU FARM	LAGOS
54	RAJI OPEYEMI INDUSTRIES	LAGOS
55	RASAKI HASSAN ALH.	LAGOS
56	REHOBOTH INTEGRATED SERVICES	EAST
57	ROCK LAND	LAGOS
58	ROTUND FARM	LAGOS
59	SAYSURAJ ENTERPRISES	NORTH
60	SERIKI STORES NIG ENTER	LAGOS
61	SERVANT AGRIBIZ	LAGOS
62	SODEL	LAGOS
63	SOLID CHOICE NIGERIA LIMITED	LAGOS
64	STELLAN FARM	LAGOS
65	SUN CHRIST O.T.NIG LTD	WEST
66	SWEETMOTHER-SWEETBROTHER NIG ENTERP.	WEST
67	TAJMAHA	LAGOS
68	TAN COLM	LAGOS
69	THE CROSS ENT.	WEST
70	THREE BBB'S RESOURCES	LAGOS
71	TIJANI GOLDEN	OGUN
72	TIRENCE	WEST
73	TOBBY MERCHANDISE	EAST
74	TOCHYKENPAS VENTURES	EAST
75	TOLBID	LAGOS
76	TOYE ADE	WEST
77	TUKUR SABARU ALH.	NORTH
78	UMAR FARUK GLOBAL ENT. LTD	NORTH
79	VICLAN	NORTH
80	WHITEWAYS	LAGOS
81	ZARM FARM	LAGOS
82	ZEEM FARM	WEST

HONEYWELL
FLOUR MILLS PLC

NOTES

NOTES


REDEFINED!
HONEYWELL
Superfine Flour
QUALITY GUARANTEED
ENRICHED WITH VIT A, B2, C & IRON
Net Wt. 50kg
HONEYWELL
MACARONI Cavatto
HONEYWELL
Semolina
HONEYWELL
SPAGHETTI
500g
HONEYWELL
Instant Noodles
Chicken flavour
HONEYWELL
Whole Wheat Meal
10kg
QUALITY NEW LOOK GUARANTEED
HONEYWELL
FLOUR MILLS PLC
...does it really well

www.honeywellflour.com