Annual Report 2023

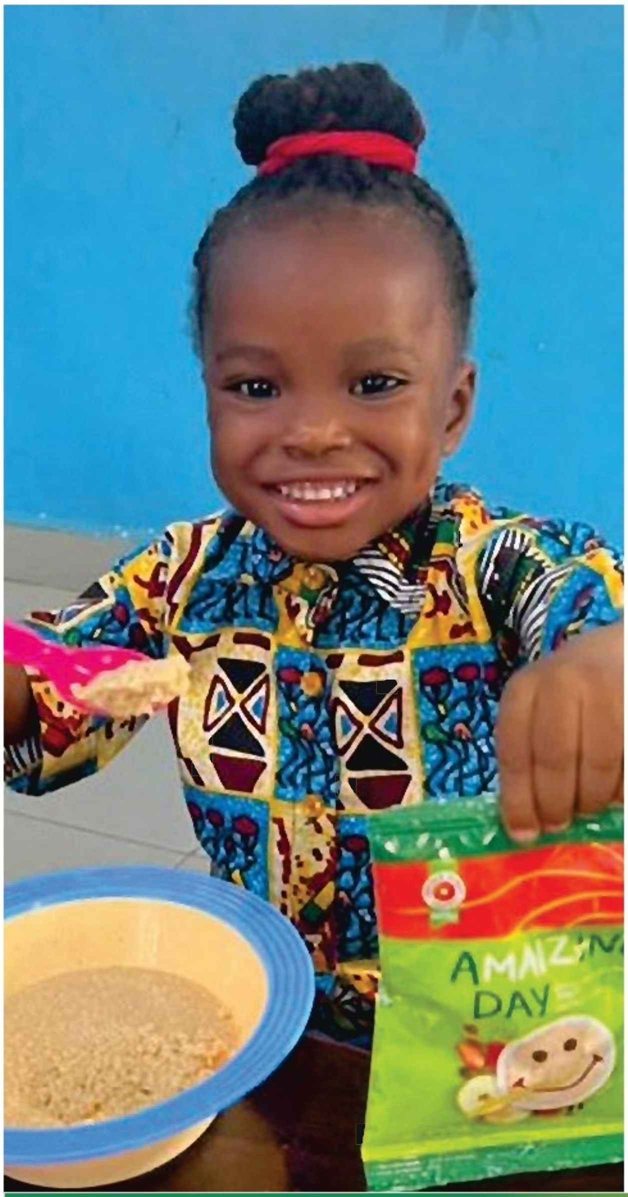
# Inspiring Sustainable Growth, Enriching Lives


GOLDEN FERTILIZER


Trapezoid
Hexagon
Octagon
Star


GRAND WINNER


GOLDEN PENNY FOODS
Produced by:
Golden Noodles
A division of FMN PLC
www.fmnplc.com





For over six decades, the Group has been a source of livelihood for millions of Nigerian families, and through our unwavering commitment to driving local content development, we have been inspiring sustainable growth across all our touchpoints. We understand the need to nurture valuable partnerships and effective collaborations that would directly allow for human capacity building, thus, the deliberate efforts geared towards transforming the lives Of our stakeholders through various initiatives like the FMN Prize for Innovation, the Girls in Action campaign by the FMN Women Network, the FMN – George Coumantaros postgraduate Scholarship program, the Women Network's mentorship program, and myriads of transformative CSR projects designed to feed possibilities and enable sustainable growth. With the welfare of our people in mind, FMN continues to be at the forefront of driving food self-sufficiency in Nigeria & across the continent with the mandate of Inspiring **Sustainable Growth, and Enriching Lives, Everyday.**

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## Our Vision

To be the leading food and agro-allied group in Africa.

## Our Mission

To produce and supply products of superior quality and value to the market thereby enriching the lives of consumers, customers, communities, employees and all stakeholders.

## Our Goals

To be a customer-centric company
To be focused on both product and process innovation
Always seek to build value for all stakeholders

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### OUR PURPOSE

# Feeding the nation, Everyday

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the sixty - third (63rd) ANNUAL GENERAL MEETING of Flour Mills of Nigeria Plc. will be held at LANTANA HALL, EKO HOTEL & SUITES, ADETOKUNBO ADEMOLA STREET, VICTORIA ISLAND, LAGOS on Thursday 9th November 2023 at 2pm to transact the following business:

**ORDINARY BUSINESS:**

1. To lay the Audited Financial Statements for the year ended 31st March 2023 and the Reports of the Directors, Auditors and Audit Committee thereon.

2. Declare a dividend.

3. Elect/Re-elect Directors to wit:

3.1. To re-elect the following Directors retiring by rotation:
- Mr. Muhammad K. Ahmad
- Mrs. Juliet Anammah
- Mr. Paul M. Gbededo
- Alh. Yunus O. Saliu
- Mr. Folarin R.A. Williams

3.2. To re-elect by Special Notice, Alhaji Yunus O. Saliu who is over 70 years but eligible for re-election pursuant to Section 282 of CAMA, 2020.

4. Disclose the remuneration of Managers of Flour Mills of Nigeria Plc.

5. Authorize the Directors to fix the remuneration of the Auditors.

6. Elect members of the Statutory Audit Committee.

**SPECIAL BUSINESS BY ORDINARY RESOLUTION:**

7. To consider and if thought fit, pass the following resolution on renewal of General Mandate for Related Party Transactions as an ordinary resolution of the Company:
   **"That, pursuant to Rule 20.8 of the Rulebook of the Nigerian Exchange Limited 2015: Issuers Rule, a general mandate be and is hereby given authorizing the Company to continue to procure goods and services and engage in other transactions that are necessary for its day to day operations from its related parties on normal commercial terms consistent with the Company's Transfer Pricing Policy. All transactions falling under this category which were earlier entered into in 2023 prior to the date of this meeting are hereby ratified.**

   **Voting by Interested persons**
   In line with the provisions of Rule 20.8(h) Rules Governing Related Party Transaction of Nigerian Exchange Limited, interested persons have undertaken to ensure that their proxies, representatives, or associates shall abstain from voting on resolution 7 above.
8. To approve the remuneration of Directors

**SPECIAL BUSINESS BY SPECIAL RESOLUTION:**

9. To consider and if thought fit, approve the amendment of Clause 27 of the Company's Memorandum and Articles of Association.

10. To consider and if thought fit, approve the carve out of the business of BAGCO from that of Flour Mills of Nigeria Plc into a 100% owned subsidiary and divestment of 60% equity of Flour Mills of Nigeria Plc in BAGCO.

**NOTES:**

**1. PROXY**

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. For the appointment to be valid, all instruments on appointment of proxy must be deposited at the office of the Company's Registrars, "Atlas Registrars Limited, 34 Eric Moore Road, Iganmu, Lagos, P.O. Box 3554, Surulere or via email at registrars@atlasregistrars.com" not later than 48 hours before the time fixed for the meeting. The Company has made arrangements to bear the cost of stamp duties on the instruments on appointment of proxy.

A proxy form is attached to the Annual Report and is also available at this url: https://shorturl.at/imHM6

**2. DIVIDEND**

The Board recommends a dividend of N2.25K (2022 – N2.15) per ordinary share of 50 kobo each. This dividend, if approved is subject to deduction of appropriate withholding tax.

**3. DIVIDEND PAYMENT**

If approved, the dividend will be payable on Friday 10th November 2023 to shareholders, whose names appear in the Register of Members at the close of business on Friday 13th October 2023. Shareholders who have completed the e-Mandate Activation Forms will receive a direct credit of the dividend into their bank accounts on the payment date.

**4. CLOSURE OF REGISTER AND TRANSFER BOOKS**

NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed from Monday 16th October to Friday 20th October 2023 both days inclusive.

**5. AUDIT COMMITTEE**

In accordance with Section 404(6) of the Companies and Allied Matters Act 2020, a nomination (in writing) by any member or shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting.
Section 404(5) of the Companies and Allied Matters Act 2020 requires that all members of the Audit Committee shall be financially literate and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly. We therefore request that nominations must be accompanied by a copy of the nominee's Curriculum Vitae.

**6. UNCLAIMED DIVIDENDS**

Shareholders are hereby informed that some dividend warrants have been returned to the Registrars as unclaimed while some have neither been presented to the Banks for payment nor to the Registrars for revalidation. A list of such unclaimed dividends will be circulated with the Annual Reports and Financial Statements and also available at this url: https://shorturl.at/fwz39

Affected members are by this notice, advised to contact the Registrars at Atlas Registrars Limited, 34 Eric Moore Road, Iganmu, Lagos, P.O. Box 3554, Surulere or via email at registrars@atlasregistrars.com.

**7. E-DIVIDEND/BONUS MANDATE**

Pursuant to the Directive of the Securities and Exchange Commission, notice is hereby given to all shareholders to open bank accounts, stockbroking accounts and CSCS accounts for the purpose of e-dividend/bonus. A detachable application form for e-dividend is attached to the Annual Report and also available at this url: https://shorturl.at/tMSX3

This is to enable shareholders furnish particulars of their accounts to the Registrars as soon as possible. The forms can also be downloaded from the Registrars' website –www.atlasregistrars.com. Shareholders are also advised to update their records with the Registrars using the Data Update Form available at this url: https://shorturl.at/lmxAX

All mandates and records update should be deposited at Atlas Registrars Limited, 34 Eric Moore Road, Iganmu, Lagos, P.O. Box 3554, Surulere or via email at registrars@atlasregistrars.com.

**8. SPECIAL BUSINESS BY SPECIAL RESOLUTION.**

That pursuant to Section 11 of the schedule of the Business Facilitation (Miscellaneous Provisions) Act, 2022, to consider and if thought fit, pass the following as a special resolution amending Clause 27 of the Company's Memorandum and Articles of Association and replacing the current provision thus

:

a. The Company shall in each calendar year hold a general meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notice calling it; and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The General Meeting of the Company shall be held **either in person and/or by electronic means** at such time and place as the directors shall appoint. **"Any member of the Company or proxy shall be entitled to participate in any general meeting at which he or she is not physically present, by telephone or video conference or similar electronic means or communication facilities that ensure that all persons participating in the meeting are able to hear one another and the chairman of such meeting shall ensure that such Director's or Shareholder's observations are duly recorded in the minutes of such general meeting. Any person so participating in person or by proxy shall be deemed to be present in person at the meeting and shall be entitled to vote and to be counted in a quorum accordingly. Such meeting shall be deemed to take place where the Chairman of the meeting is then present".**

b. That the Board be and is hereby authorized to take all necessary steps to give effect to the resolution.

**9. TO CONSIDER AND IF THOUGHT FIT, PASS THE FOLLOWING SUB-JOINED RESOLUTIONS AS SPECIAL RESOLUTION:**

a. Approve the carve out of the business of BAGCO from that of Flour Mills of Nigeria Plc into a 100% owned subsidiary of Flour Mills of Nigeria Plc to receive the assets and liabilities of BAGCO carved out from Flour Mills of Nigeria Plc.

b. Approve the process of divestment of up to 60% equity of Flour Mills of Nigeria Plc in BAGCO.

c. That, the board be and is hereby authorized to take all such action(s) (including but not limited to executing such agreements and documents, appointing professional advisers and other parties, complying with directives of any regulatory authority) which may be incidental, ancillary, supplemental or otherwise necessary to give full effect to the above resolutions and that such actions as may have already been taken by Management prior to the date of this meeting be and are hereby ratified.

**10. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS**

Pursuant to Rule 19.12 (c) of the Nigerian Exchange Limited's Rule book 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 one week before the date of the meeting.

**11. ELECTRONIC ANNUAL REPORT:**

The soft copy of the 2023 Annual Report would be posted on our website and also sent to our shareholders who have provided their email addresses to the Registrars. Shareholders who are interested in receiving the soft copy of the 2023 Annual Report should request via email to: registrars@atlasregistrars.com.

**12. LIVE STREAMING OF THE ANNUAL GENERAL MEETING**

The Annual General Meeting will be streamed live online via our corporate website -www.fmnplc.com ; and on YouTube – www.youtube.com/fmngroup.

**BY ORDER OF THE BOARD**

**JOSEPH O. UMOLU**
Company Secretary
FRC/2013/NBA/00000003687
11th October, 2023
1, Golden Penny Place,
Wharf Road,
Apapa, Lagos.

## Board Of Directors, Officers And Other Corporate Information

| | | |
|---|---|---|
| **Founder** | George S. Coumantaros (late) | |
| **Board of Directors:** | Mr. John G. Coumantaros | - Chairman (US Citizen) |
| | Mr. Paul M. Gbededo | - Vice-Chairman |
| | Mr. Omoboyede O. Olusanya | - Group Managing Director/CEO |
| | Alhaji Rabiu M. Gwarzo, OON | - Non-Executive Director |
| | Prof. Jerry Gana, CON | - Non-Executive Director |
| | Mr. Ioannis Katsaounis | - Non-Executive Director (Greek) |
| | Mr. Thanassis Mazarakis | - Non-Executive Director (Greek) |
| | Mr. Alfonso Garate | - Non-Executive Director (Spanish) |
| | Alhaji Yunus O. A. Saliu | - Non-Executive Director |
| | Mr. Folarin R. A. Williams | - Non-Executive Director |
| | Mr. Foluso O. Phillips | - Independent Non-Executive Director |
| | Dr. (Mrs.) Salamatu H. Suleiman | - Independent Non-Executive Director |
| | Mrs. Juliet C. Anammah | - Independent Non-Executive Director |
| | Mr. Muhammad K. Ahmad, OON | - Independent Non-Executive Director |
| | Ms. Yewande T. Sadiku | - Independent Non-Executive Director |
| **Company Secretary** | Mr. Joseph O. Umolu | |
| **Registration number** | RC 2343 | |
| **Tax identification number** | 00136700-0001 | |
| **Date of incorporation** | 29 September 1960 | |
| **Independent Auditor** | KPMG Professional Services<br>KPMG Tower<br>Bishop Aboyade Cole Street<br>Victoria Island<br>Lagos | |
| **Registered office** | 1, Golden Penny Place,<br>Wharf Road<br>Apapa,<br>Lagos | |
| **Registrars** | Atlas Registrars Ltd<br>34 Eric Moore Road,<br>Iganmu,<br>(Bagco Building)<br>P.O.Box 341, Apapa,<br>Lagos | |
| **Principal Bankers** | Access Bank Plc<br>Citibank Nigeria Limited<br>Ecobank Nigeria Limited<br>Fidelity Bank Plc<br>First Bank of Nigeria Limited<br>First City Monument Bank Plc<br>Globus Bank<br>Guaranty Trust Bank Plc | Heritage Bank Plc<br>Nova Merchant Bank Limited<br>Stanbic IBTC Bank Plc<br>Union Bank of Nigeria Plc<br>United Bank for Africa Plc<br>Wema Bank Plc<br>Zenith Bank Plc |

# GROUP PERFORMANCE HIGHLIGHT

| Continuing operations | 31-Mar-23 | 31-Mar-22 | Increase Decrease/% |
|---|---|---|---|
| ***Continuing operations*** | | | |
| Revenue | 1,539,654,788 | 1,163,802,851 | 32 % |
| Profit before minimum tax | 42,752,114 | 41,118,148 | 4 % |
| Minimum tax | (2,969,506) | (1,902,530) | 56 % |
| Profit before tax | 39,782,608 | 39,215,618 | 1 % |
| Net income tax expenses | (10,278,323) | (11,200,392) | (8) % |
| Profit for the year | 29,504,285 | 28,015,226 | 5 % |
| Other comprehensive income/(loss) net of tax | 1,937,296 | (33,050) | (5,962) % |
| Total comprehensive income | 31,441,581 | 27,982,176 | 12 % |
| **Profit attributable to:** | | | |
| Owners of the Company | 29,732,507 | 25,676,035 | 16 % |
| Non-controlling Interest | (228,222) | 2,339,192 | (110) % |
| Share capital | 2,050,197 | 2,050,197 | 0 % |
| Shareholders' funds | 225,224,887 | 195,904,691 | 15 % |
| Proposed dividend | 9,225,887 | 8,815,847 | 5 % |
| Weighted average number of shares ('000) | 4,100,394 | 4,100,394 | 0 % |
| Market capitalisation | 127,112,214 | 127,317,234 | (0) % |
| **Per share data (kobo)** | | | |
| Basic earnings per share | 725 | 626 | 16 % |
| Diluted earnings per share | 725 | 626 | 16 % |
| Dividend | 225 | 215 | 5 % |
| Dividend cover | 3.22 | 2.91 | 11 % |
| Market price per share at 31 March | 3,100 | 3,105 | (0) % |
| **Other Data** | | | |
| Number of employees (Group) | 5,919 | 5,910 | 0 % |
| Number of employees (Company) | 3,839 | 3,778 | 2 % |

# Echoes of the Founding FATHER

**GEORGE STAVROS COUMANTAROS (late)**
*Chairman Emeritus, FMN*

*"On many other fronts, Mr Coumantaros has contributed immensely to the development of Nigeria. The Flour Mills Factory in Apapa is not the only one. It is one of many around the country concentrating on the food processing industry, engaging in large farming enterprises that provided thousands of jobs in several parts of the country; the farm at Kaboji in Niger State; the huge Sunti Sugar investment also in Niger State; and other flour milling factories in kano, Maiduguri, Ibadan, and Calabar.*

*Something about him, not generally realized or appreciated was his public relations gift, his direct and very close relation with not only his business contacts but the large labour force under his many manufacturing enterprises.*

*This has all been about Mr Coumantaros, the founder of Flour Mills of Nigeria, and its moving spirit. It is about his commitment to the business at hand and nurturing the company to its preeminent position, among Nigerian manufacturing companies for more than half a century."*

***...Ahmed Joda***
***60 Years of Feeding The Nation Nigeria***

# CORPORATE PROFILE


**We are primarily a Foods and Agro Allied company with interests in food processing and agro allied businesses, across the entire value chain comprising Grains, Sweeteners, Oil and Fats, Starches and Protein.**

Incorporated in September 1960, Flour Mills of Nigeria (FMN) Plc. is one of Nigeria's leading food and agro-allied companies, committed to delighting consumers across Nigeria with consistent delivery of a wide range of quality food products under the iconic brand – "Golden Penny". FMN creates value along the entire value chain with its "farm - to - table" model. With the second largest single flour milling site in Apapa, other manufacturing sites in Iganmu, Agbara, Calabar etc and the Corporate headquarters in Apapa, the company continues to produce world-class quality food products including diverse Flour Brands, Ball Foods, Pasta and Noodles, Sweetners, Edible oil and fats, Amaizing Day breakfast cereal and other quality food products.

**We are committed to**

# ENRICHING LIVES, EVERYDAY

While at the same time creating value for our stakeholders everyday.
Our greatest resource remains our People who live the organizational culture of inspiring sustainable growth by working collaboratively with our stakeholders to inspire trust in the business as we unanimously drive food self-sufficiency in the country and across the continent.

## SUPERIOR PRODUCTS OFFERING

It has been our mission to consistently provide our consumers with superior product offerings as we lead the market in product and process innovation. This commitment has led us to innovate across various product lines based on the consumers' needs and market demands. Growth as we know, happens over a period of time, thus, our innovation approach focuses on churning out content and product that drives local content development so as to reduce the nation's dependency on imported raw materials.

## OUR PEOPLE

Our greatest resource remains our People who put to heart our core values (PIILOT) in the discharge of their functions and in actualizing our mission.

## EMPLOYMENT POLICY

The Group employs directly and indirectly over 14,000 men and women from diverse ethnic, cultural and religious backgrounds working harmoniously to deliver superior value to customers and other stakeholders.

## HISTORY

Flour Mills of Nigeria Plc commenced operations in 1962 having been registered as a private company with an installed flour milling capacity of 500 metric tonnes per day. In 1978, FMN was converted to a public limited liability company and its shares were subsequently listed on Nigerian Exchange Limited with a current broad ownership base of over 80,000 shareholders.

Today, FMN is one of the largest flour milling companies in Nigeria with an installed flour milling capacity of approximately 9,310 metric tonnes per day at our Apapa milling sites in Lagos State.

FMN has grown into a fully vertically integrated food company primarily engaged in food processing, which includes flour milling, production of semovita, masavita, pasta, noodles, vegetable oils, margarine & spread and refined sugar; and in the distribution of these products. Other activities by the Group include primary processing of locally grown soybean, palm fruit, cassava, maize, and sugar cane; storage, aggregation and distribution of locally sourced grains and export commodities; manufacture and distribution of agro-inputs, such as seeds, fertilizers and agricultural sacks; cultivation of sugar cane, maize, soyabean, cassava, and oil palm; support services in the form of manufacturing and marketing of packaging materials; power generation; ground transport logistics; port operations; and shipping, customs clearing, forwarding, and shipping agency.

Since inception, FMN has remained at the forefront of wheat milling in Nigeria. The Group's Golden Penny Flour is one of the best known and preferred brands amongst bakers and confectioners in Nigeria. Over the years, FMN has invested several billions of naira in infrastructure to enhance its strategic growth and thus its competitive advantage in the food business. In the agro-allied business, since 2012, FMN has embarked on major backward integration programs through its agro-allied business initiatives, primarily to support its core food business.

## HUMAN CAPITAL

The Group employs directly and indirectly over 14,000 men and women from diverse ethnic, cultural and religious backgrounds working harmoniously to deliver superior value to customers and other stakeholders.
Our Human Capital Management philosophy has consistently driven our resolve to sustain best practice in people

management. We have always recognized and acknowledged that the surest way of trade sustainability is by regarding our employees as the heart of our business. This ideology is also based on the premise that keeping our management team strong, highly motivated and result- oriented is the key driver of our company's success.

## RESPONSIBLE BUSINESS PRACTICES

At FMN, we produce and supply products of superior quality and value to the Nigerian market thereby enriching the lives of consumers, customers, communities, employees and stakeholders.

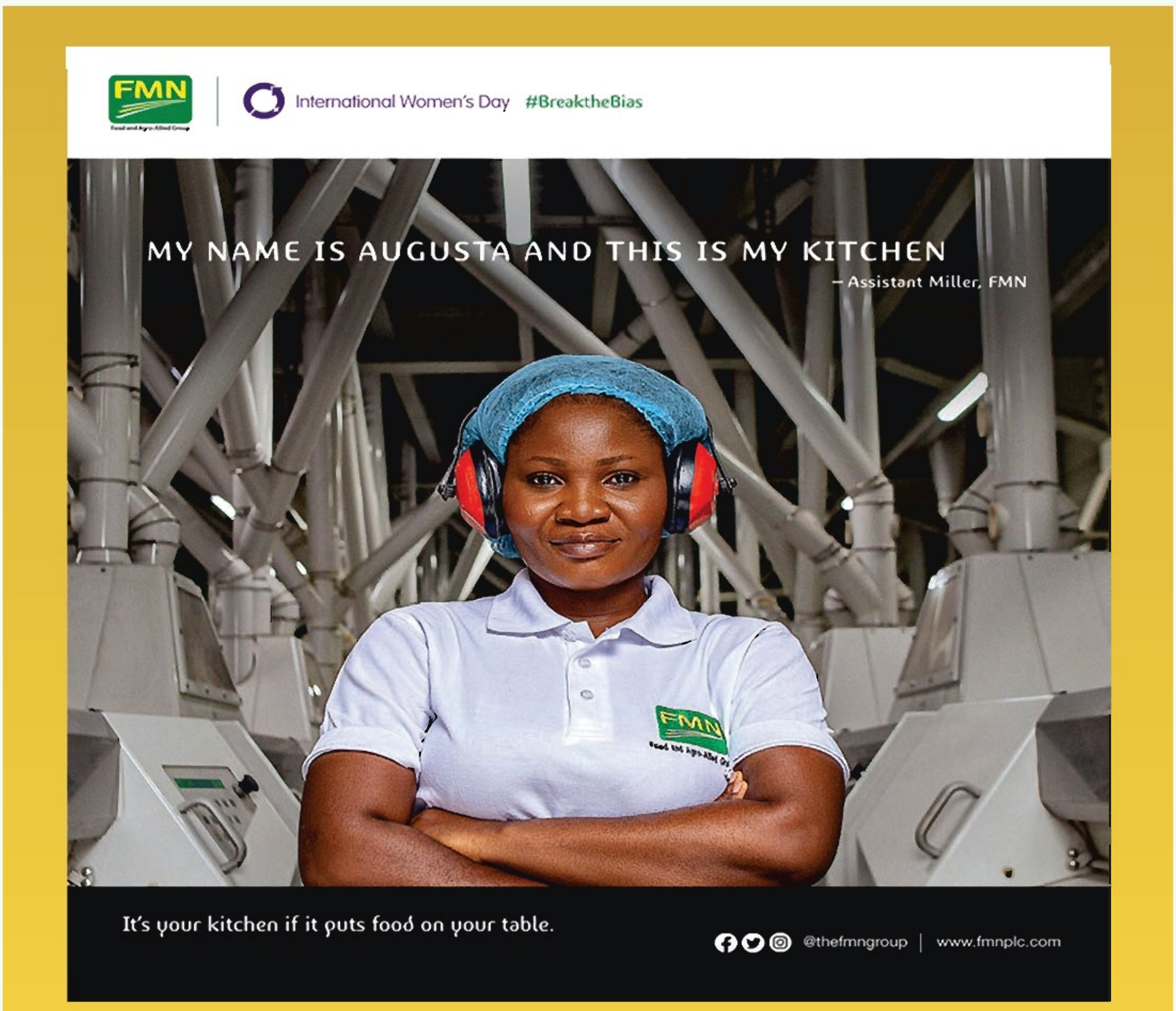
We have embedded quality standards into our business processes and consequently invite our business partners to understand FMN values, principles and policies which are the bedrock of our business conduct.

We aim to achieve our business objectives within the ambit of applicable laws. Consequently, all employees are aware of the provisions of our FMN Code of Conduct, FMN Responsible Partner Policy as well as the Contract Execution Policy and are required to observe the rules of conduct in relation to business and regulations.

Documents are available at this url: https://bit.ly/3Q1l4m2

## VALUE ADDED TO SOCIETY

We are guided by the watch words of our Founding Father–George Stavros Coumantaros that "One must do it right and do it now!" This is our strategy to compete with the growing challenges in the industry.




FMN has continued to pursue strategic business opportunities, such as capacity expansion and realignment of its core food business whilst backwardly integrating in order to further mitigate reliance on imports and exposure to external volatility in the food business by increasing local content in a substantive and sustainable way. The following developments, milestones, and investments in the Group companies are noteworthy:

- Advancement of Zero Fly Hermetic Bag certification that reduces insect infestation of agricultural produce and finished food products.
- Mounted a new automated Sugar Bag line to enhance the sugar product's food safety.
- External Benchmarking done by an independent consultant (Muhlenchemie) showed that Golden Penny Flour retains market leadership for Q1, Q2 & Q3 FY22/23, followed by Honeywell Flour as of November and December 2022.
- In Sunti, through the Golden Sugar Company Limited (GSC) we were able to make proactive decisions that greatly saved the business a significant amount of finance and prevented investment loss in Sunti. First, the established dike system withstood the biggest Niger River white flood in recent memory enabling the highest sugar production to date.
- In Sunti, we now have 3,500 hectares of irrigated sugar cane and will add another 4,300 hectares in the coming seasons after completing the upland drip irrigation project. This expansion has no flood risk.
- New product lines were launched based on established market needs – the Golden Bite Chin Chin, and Golden Penny Chocoh Spread. In the Noodles category, another flavor was also introduced to the mix, Golden Penny Jollof Hot Hot Noodles.

- Golden Sugar Company Limited (GSC) crushed 161,808 tons of sugar cane producing 16,479 tons of sugar compared to the previous highest production of 15,860 tons achieved in 2020.

- The outgrower scheme has been expanded by another 40 hectares to 83 hectares.

- Launch of a new Fertilizer variant called NPK 20.10.5 by Golden Fertilizer to ensure that farmers can get the right variants for their crops.

- Certification of Nigerian Eagle Flour Mills Ltd (NEFM), Ibadan to ISO 9001:2015, a Quality Management System (QMS) Certification on the 30th September 2022 by Bureau Veritas Certification Body.
- Certification of NEFM Ibadan to Food Safety System Certification (FSSC 22000), a Global Food Safety Initiative (GFSI).

- Golden Penny Prime Flour took first position and was awarded on the Top 5 Tier Award for achieving food fortification excellence 28th March 2023 by the Bill & Melinda Gate Foundation.

- Classic all Purpose flour took second position and has equally been awarded the Top 5 Tier Award for achieving food fortification excellence on 28th March 2023 by the Bill & Melinda Gate Foundation.

# The Chairman's Statement

Distinguished Shareholders, members of the Board of Directors, business partners and loyal customers, it gives me great pleasure to welcome you to our 63rd Annual General Meeting and the presentation of our annual report and accounts for the financial year ended 31st March 2023.

The turbulent operating environment of the past year has only reinforced our commitment to our Purpose of ***Feeding the Nation, Everyday***. Our strong brands, capabilities and operational execution have allowed us to press ahead despite the COVID-19 pandemic extending its effects. Staying on course and true to our purpose required balancing the imperatives of growth, affordability, and meeting our commitments to shareholders and stakeholders. Even in a year as challenging as the past 12 months, we continued to deliver.

"The turbulent operating environment of the past year has only reinforced our commitment to our Purpose of ***Feeding the Nation, Everyday.***

**John George Coumantaros**
*Chairman*

## Business Environment

The Nigerian economy grew by 3.1% in 2022, a decrease from the previous year, as various factors including global economic volatility and domestic disruptions in energy sectors and food supplies affected the economy's rebound from the 2020 recession. The Ukraine war further elevated the volatility of international commodity prices, from grains to fertilizer, and although the average price of oil stood above $100 per barrel, Nigeria witnessed very severe disruptions to domestic oil production, inhibiting revenue windfall earnings. Inflation, which had moderated in 2021, increased throughout 2022, reaching 22.0% by March 2023, the highest since 2009. Domestic challenges such as insecurity, non-availability of fertilizers, and flooding contributed to rising food inflation which stood at 24.5% by financial year-end, the highest food inflation on record.

The operating environment in the outgone financial year was immensely challenging for the business across all segments, highlighting the crucial need to improve efficiency and market competitiveness even as we move into the 2023-2024 financial year amid evolving external and internal conditions.

## The Year at FMN

FMN's role has always been to make our products affordable and accessible to consumers everywhere and we have stayed committed to this amid the foregoing economic headwinds. Highlights from the 2022/2023 financial year include the following:

Revenue increased by 32% to N1.5 trillion, a first for any food and agro-allied company in Nigeria. We are one of the largest three companies in Nigeria by revenue, and the largest Nigerian consumer goods company by the same measure. Efficient management of raw material and conversion costs led to gross profit increasing by 64% to N177 billion.

Investment in route-to-market deepening and strong brand building continues to yield the desired results as the Food segment delivered 26% growth in revenue to N1.06 trillion, double-digit gross margin of 13% versus 8.4% last financial year, with gross profit increasing by 114% from N62.8b to N134.3b. The Agro-allied segment also delivered a strong top-line growth of 24% increase in revenue to N328 billion. Gross profit, however, declined by 27% from N28.8b last financial year to N21b. Notwithstanding this setback in profitability, we continued to make good progress in our vision to build an agribusiness that is value-accretive and is a major driver of agricultural development in Nigeria. In the Sugar segment, we delivered a strong top line performance, increasing revenue by 34% to N208b, and gross profit by 1,379% to N5.7b. In the Support segment, revenue and gross profit remained relatively flat at N46.7b and N16.1b respectively. We continued to make progress in our revenue diversification, exporting a total of 155,000MT of intermediates, commodities, and packaging materials, contributing to the generation of much needed FX for the country.

Following our acquisition of Honeywell Flour Mills Plc, we have embarked on several initiatives to commence the realization of the advantages and opportunities of integration. These range from manufacturing, supply chain, sales to people initiatives. We have made significant progress integrating both companies and are now well positioned to benefit from the acquisition and contribute to long-term sustainable growth.

Thirty one percent increase in operating expenses, occasioned by higher logistics costs [diesel prices], 125% increase in net finance costs, driven by higher interest, moderated PAT growth by 5% to N29.5b.

As the industries we operate in continue to witness significant changes and disruption, we are convinced these changes portend immense opportunities for companies who through innovation, deep consumer knowledge and engagement, offer products that meet customers and consumers' changing preferences.

## Dividend

Aligning with our corporate commitment to provide enduring value to our esteemed shareholders, the Board of Directors will recommend a dividend of N2.25 per ordinary share of 50 kobo during the Annual General Meeting. This represents a 5% increase from the previous year.

## Business Review

### *Food Division*

Growth is at the heart of our Food strategy and our ambition is to be the leading B2C & B2B Food Company in Africa, and entrench our number 1 position in Nigeria, delivering tasty, nutritious, affordable, and sustainable food products, produced using clean energy –today and for generations to come. In the fiscal year, we made considerable progress in the execution of our B2B and B2C branded portfolio anchored on four strategic priorities.

First, we are driving the penetration and frequency of use of the existing key categories of Pasta, Ball Food and Noodles under the Golden Penny and Honeywell Brands with regionally targeted offerings in different segments such as Mai Kwabo, Honeywell Macaroni and Auntie B in both Pasta and Ball Food respectively. We are maximizing value in B2B with a broader portfolio and supply chain optimization and benefiting from an expanded footprint through the Honeywell acquisition. The fiscal year saw a robust performance in both Bread and Corporate flour as we continued to execute regionally differentiated strategy and customer value propositions.

Second, recognizing that an efficient distribution network allows us to penetrate the market effectively, we have continued to expand our secondary distribution and coverage with the deployment of a further 100 vans bringing our retail coverage well above 100,000 outlets, and generating over 200,000 new points of sale. This approach, in conjunction with strong supply chain operations and data utilization, has contributed to the growth of both existing power brands and emerging ones like Amaizing Day.

Third, we have further stepped up our local content-based innovation agenda. Through the Grains Desk and our work through Flour Millers' Association of Nigeria [FMAN], we are aggregating and using more locally grown wheat. In the wheat season that ended, over 44,000 farmers were trained in Good Agricultural Practices [GAP] as it relates to wheat. In addition, we are targeting new and adjacent categories with local content as input material. We have developed a robust pipeline of new launches and in the financial year introduced *Golden Bites Chin Chin* and *Hot Hot Jollof Noodles*.

The final element of the strategy which enables the whole, is the continued development of the capability of our people and fostering a winning breakthrough culture. In a challenging year, the Food business achieved strong growth through strategic execution and performance improvements, and we anticipate even greater progress in the coming year, with increased focus on commercial and manufacturing capabilities for improved performance consistency and competitiveness.

***Sugar Division***

In the past year, two major events stood out for us at Sunti Golden Sugar Estate. Our dike system withstood the biggest Niger River white flood in recent memory enabling the highest sugar production to-date. The Factory crushed 161,808 tons of sugar cane producing 16,479 tons of sugar compared to the previous highest production of 15,860 tons achieved in 2020. Second, we now have 3,500 hectares of irrigated sugar cane and will add another 4,300 Ha in the coming seasons after completing the upland drip irrigation project. This expansion carries no flood risk. The out-grower scheme has also been expanded by an additional 40 Ha to 83 Ha. Another 20 hectares under drip irrigation will be added during the next season.

Golden Sugar reaffirmed its commitment to best practices and quality products, successfully retaining its internationally recognized Food Safety Certification (FSSC 22000 v.5), Quality Management System (ISO 9000:2015) and Halal recertification. Significant capital expenditures were directed towards a new dual fuel boiler, steam transformer, laboratory automation, and state-of-the-art online quality control equipment, all aimed at enhancing reliability, operational efficiencies, and continuous production of quality products within the refinery.

***Agro-allied Division***

Through commercialization of locally available inputs for food production, we remain committed to investing in growth platforms that will increase agricultural productivity in Nigeria. We execute our local content strategy through investment and developing capabilities in our five core value chains – Grains, Oils and Fats, Animal Proteins, Sweeteners and Starches.

***Agri-Inputs and Distribution [GAIL]***

We continued to make good progress towards transforming the yield of maize and soybean, two crops that Nigeria has the potential to lead in terms of production in Africa. Through our YALWA project, a credit-driven out grower and commercial farm estate, we are driving farmer productivity and improving the nutrition quality of maize and soybean. In the year under review, we achieved the highest yields of 5MT/ Ha and 2.03MT/Ha for maize and soybean respectively. Our average yields of 2.5MT and 1.93MT per Ha for maize and soybean respectively surpassed the national average yield of 1.5MT per Ha (maize) and 1MT per Ha (soybean).

Responding to the lack of critical inputs to produce fertilizer occasioned by the war in Ukraine, we innovated and developed a new product NPK 20/10/5 that became Golden Fertilizer's number 1 product during the financial year due to its performance with the farmers. The product accounted for 75% of sales volume for the year and contributed to both our top and bottom-line performance. In deepening our farmers' reach across the country, and ensuring fertilizer availability at the right time, we are expanding our capacity through the establishment of blending plants in Bauchi and Enugu States. The blending facilities are scheduled to be operational in 2023/2024 financial year and will jointly add about 350,000MT to our annual capacity. These additions will position us as the number 1 fertilizer blending company in Nigeria in terms of capacity. We are also piloting one-stop shops that will improve farmers' access to quality inputs.

***Oils and Fats***

Building a pipeline of highly differentiated innovations fuels our growth. The newly launched Golden Penny Chocoh Spread is made with natural cocoa sourced from local farmers and rich in Polyphenols –compounds that have potent antioxidants and anti-inflammatory effects. The Chocoh Spread also contains Omega 3&6, essential fats that actively help to reduce inflammation. We will continue to proactively respond to consumers' need for tasty, nutritious, and superior quality food products that offer essential dietary nutrients, all produced using clean energy. We continued to extend our footprint beyond Nigeria, exporting our non-GMO intermediate products, Soybean meal and Soy Lecithin to Europe.

***Feeds and Proteins***

Following the commencement of commercial production at our state-of-the-art Feed Mill in Kaduna State, we set ourselves the task of sweating the asset to accelerate return on capital. The results of our efforts led to 70% capacity utilization in our first 6 months of operations. We successfully upgraded our animal nutrition system with robust formulation software and a technology application centre where advanced near-infrared [NIR] technology is adopted to determine the nutrient profile of raw materials in real-time fashion to facilitate nutrient consistency to the animals. We overhauled and streamlined our transport and product delivery to be more customer-centric and value-focused by partnering with third-party transport companies. This has improved product availability, particularly in the eastern parts of the country.

***Starches***

To mitigate raw material scarcity, achieve materials cost savings, and maintain high quality, we produce cassava directly to augment supply from third parties. This is in line with our strategy to increase the supply of raw materials from local sources. We acquired an additional 500 hectares of land and cultivated an additional 244 hectares. We upgraded our production infrastructure and finalized plans to increase our starch production capacity. To better reflect our dedication to the quality and safety of our products, we obtained an FSSC 22000 Version 5.1, Halal, and ISO 22000:2018 certifications all of which ensure that we comply with the latest benchmarking requirements of food quality and safety.

***Support Services***

Notwithstanding macroeconomic headwinds that slowed demand from our partners, we continued to focus on our relevance, operational agility and executional excellence. We advanced the certification of Zero Fly Hermetic Bag that reduces insect infestation of agricultural produce and finished food products. The Hermetic Bag is scheduled for full scale launch in 2023. We focus on our quality and Quality Management Systems under ISO 9001 2015, obtaining full accreditation by the Standards Organisation of Nigeria. We are also extending our reach beyond Nigeria via exports. During the financial year, we exported circa 6% of our total sales volume to Africa and North America.

Our capability to handle both dry and wet bulk at the Apapa Bulk

Terminal Limited [ABTL] positions us as the terminal of first choice relative to competition. In the 2022/2023 financial year, we processed a total of 2.8million metric tonnes of both dry and wet bulk. ABTL was awarded a Gold Merit Award by the Nigerian Ports Authority HSE Committee for excellent performance in Health, Safety and Environment (HSE) compliance in the Port Terminal Category.

***Our People***

In line with our commitment to securing top talent for future growth and ensuring business sustainability, we are implementing a talent management strategy that focuses on attracting, developing, and nurturing exceptional individuals throughout the organization. Over the last year, we successfully recruited and integrated hundreds of talented individuals into our organization to address crucial skill requirements. About one-third of these requirements were filled through internal promotions, which is a testament to our commitment to fostering career growth within FMN.

The second cohort of our Graduate Trainee Program kicked off with tens of exceptional graduates selected to undergo a best-in-class management learning program for 18 months to equip them with the skills and knowledge needed to become future leaders for the sustainability of our business. We launched our Finance Academy with 70 selected talents and the second batch of our Power and Technical Academy with 25 high-potential operators. The curriculums for both academies are painstakingly designed to equip the participants with the skills required to remain relevant in their respective fields.

We successfully aligned our leadership development goal for the year as 20 handpicked leaders across the Group completed our comprehensive 24-month Executive Leadership Development Program. This program encompassed the esteemed curriculum of the Yale Business School, providing our participants with valuable knowledge and skills. As a next step, these accomplished leaders are now ready to embark on rotational assignments across the entire organization.

***Sustainability/ Corporate Responsibility***

FMN is committed to creating sustainable and responsible value for all its stakeholders. Our approach to embedding sustainability across the business is driven through FMN's "Tropos" – a four pillar framework comprising Governance, Economic, Environmental and Social pillars. These four pillars set out the areas where our knowledge and resources are enabling us to make a positive change and give structure for consolidation of all our sustainability efforts.

In line with our goal to reduce carbon footprint in our operations, we installed a 1MW solar power system at our BAGCO Kano factory. On our journey towards achieving a zero net footprint across FMN value chains, we implemented a waste-to-landfill environmental program that seeks to achieve a zero-waste-to-landfill in five years. Since the commencement of the initiative, we have reduced waste-to-landfill by about 35% compared to last financial year and generated savings of about N66.6m from our recycling activities In November 2022, we joined the African Business Leaders Coalition (ABLC), a coalition of 55 African CEOs/Chairpersons across a range of sectors, to show our commitment to sustainable development and climate action unveiled at COP27 Climate Conference in Egypt. For the past four years, we have consistently won awards at the prestigious Sustainability Enterprise &Responsibility Awards (SERAS). In the year under review, FMN won in two categories: best company in supply chain and stakeholder engagement respectively.

***Workplace Health and Safety***

Our safety programmes are underpinned by a safety-first culture and focus on identifying and managing key safety risks. We launched the Behavioural Based Safety (BBS) program to enable us to drive safety engagement across FMN. The entire FMN group collectively took a stand against workplace fatality through the company-wide campaign themed "Never Again on my Watch". This has yielded positive results in reducing the frequency of accidents occurrence. At Northern Nigeria Flour Mills Plc Kano, we achieved a huge milestone of 1,545 days without lost time injury (LTI) and still counting. We carefully reviewed and upgraded our safety infrastructure to reduce unsafe conditions and improve our readiness to handle incidents. We received the Afrisafe Award, recognised as the "biggest HSE award in Africa" in acknowledgment of our exemplary contribution towards advancing Health, Safety and Environment well-being in Africa.

**Looking Ahead**

My conviction that FMN is a company of the future is borne out of the knowledge that we are making the required investments in both organic growth and expansion, two essential factors which would enable us meet the expectations of our growing customer base and secure future earnings. It is our respect for future generations that compels us to act with responsibility and courage, even when times are difficult. So, while we continue to take care of the short term, we are building and investing for the long term. We will continue to invest in growth opportunities and platforms that will improve agricultural productivity in Nigeria, make nutritious and affordable food products available while also looking to harness growth opportunities in the West Africa region. We compete in attractive categories, and we will prioritise investments to stay relevant and win in every segment and market in which we operate. We are committed to investing in the capabilities we need to proactively identify emerging consumer needs and business model opportunities so we can bring differentiated innovation to market fast. And as the African Continental Free Trade Area [AfCFTA], with its exciting prospects and potential challenges come on stream, we are determined to take full advantage of the opportunities and mitigate any threats it may pose to our loved brands.

On behalf of the Board, I would like to express deep gratitude to all our shareholders, customers, consumers, our dedicated staff and various business partners for your unwavering support and commitment to FMN during the year. We could not do this without your loyalty.

Thank you.

**Mr. John G. Coumantaros**
**Chairman**

# Enriching Lives *and* Inspiring Sustainable Growth *through* Local Content *and* Value Chain Development

*For over six decades, most of our Shareholders have demonstrated a steadfast loyalty and commitment to FMN, which I hereby acknowledge and on behalf of the Board and Management, we extend our heartfelt appreciation for that dedication which has not only sustained our business but has also promoted its continuous growth even in the face of unforeseen and unprecedented changes.*

**Omoboyede Olusanya**
*GMD/CEO*

It is with great pleasure that I welcome you all to the 2022/23 Annual General Meeting of Flour Mills of Nigeria Plc (FMN). I am honoured to present to you an overview of the transformations, progress and advancements that have taken place within our company over the past financial year; and likewise, the prevailing and anticipated challenges.

As we reflect on the past year's journey, it is evident that we have navigated through a dynamic and ever-changing business landscape and it is my hope that your invaluable feedback and insights will play a crucial role in shaping our strategies and guiding our actions on how to sustainably feed the nation, as we continue to operate in this volatile business environment.

For over six decades, most of our Shareholders have demonstrated a steadfast loyalty and commitment to FMN, which I hereby acknowledge and on behalf of the Board and Management, we extend our heartfelt appreciation for that dedication which has not only sustained our business but has also promoted its continuous growth even in the face of unforeseen and unprecedented changes. Your support and contributions have enabled us to thrive amidst challenges and capitalise on opportunities, therefore we in return, will continue to strive to reward you with maximum value.

As your GMD/CEO, I understand the importance of keeping you well-informed about the impact of the constantly evolving economic and business environment on our growth and expansion as a company. It is crucial that we maintain open lines of communication and I am committed to providing you with timely and accurate updates.

World output growth was projected to decelerate from an estimated 3.0 percent in 2022 to 1.9 percent in 2023, marking one of the lowest growth rates in recent decades. Amid soaring inflation, aggressive monetary tightening, and heightened uncertainties, the current downturn has slowed the pace of economic recovery from the COVID-19 crisis. These ripple effects posed significant challenges to businesses and ours were not left out.

To efficiently address these multifaceted challenges, the Group through its various subsidiaries took some innovative decisions to ensure that our established industry leadership remains intact. For instance, the side effect of the forex and the volatile exchange rate had a long-term consequence on our lease and importation obligations. However, through our continuous investment in local content development, FMN is consistently driving self-sufficiency in Nigeria while reducing dependence on imported raw materials.

Financial performance for our Apapa Bulk Terminal Limited (ABTL) was affected by limited berthing and silos space which limited the number of vessels that could be accommodated in the terminal, therefore affecting our revenue generation. To ensure that ABTL as a subsidiary of the Group continues to make meaningful contributions to our business growth, we are looking at improving berth utilisation to the benefit of the Group cargoes; 100% avoidance of penalties from regulatory agencies and to see to the conclusion of ABTL/NPA review of Concession Agreement & document compensation on the impact of rail project.

Our BAGCO division was affected by a decline in demand due to an erratic business environment which strained most of our stakeholders. The Unit made the strategic move of proactively introducing innovative products that support the agricultural sector from our factory in Kano. The Business Unit advanced the Zero Fly Hermetic Bag certification that reduces insect infestation of agricultural produce and finished food products; mounted a new automated Sugar Bag line to enhance the safety of the sugar product and installed a 1MW solar power system at the BAGCO Kano factory.

Northern Nigeria Flour Mills (NNFM), a leading processor of local grains in Nigeria and the local grain milling hub of FMN Group showcased a soaring growth trajectory in the last financial year. The company's total assets grew to an impressive ₦17,827,833,000, representing about 34% increase from ₦13,315,128,000 during the previous year. This notable achievement underscores NNFM's unwavering dedication to expanding its production capabilities and diversifying its product portfolio. In terms of equity review, the business experienced inspiring growth, reaching an impressive ₦6,579,567,000, a substantial increase from ₦2,854,469,000 in the preceding year. This remarkable achievement can primarily be attributed to the phenomenal growth of the revaluation reserve, which has soared to a staggering ₦5,046,057,000. Furthermore, NNFM's profit for the year rose to a remarkable ₦272,820,000, a significant improvement from the ₦80,668,000 of the prior year.

From our Flour Operations Unit, NAFDAC registration requirements have been completed for Golden Penny Naija Wheat Flour while Mama's Love Superfine Semolina and Mama's Love Superbran are awaiting certificates issuance. In terms of quality output, external benchmarking done by an independent consultant (Muhlenchemie) showed that Golden Penny Flour retains market dominance for Q1, Q2 & Q3 FY22/23, followed by Honeywell Flour as of November and December 2022. Production and maintenance challenges like low sales orders leading to frequent full flour bins and direct maintenance costs are being managed through proactive collaborations with internal and external stakeholders and via continuous improvement initiatives.

In Sunti, through Golden Sugar Company Limited (GSC) we made some bold decisions that saved our business a substantial amount of financial resources and prevented potential investment losses.

Firstly, the established dike system withstood the biggest Niger River white flood in recent memory enabling the highest sugar production to date. The Factory crushed 161,808 tons of sugar cane producing a staggering 16,479 tons of sugar compared to the previous highest production of 15,860 tons achieved in 2020. We now have 3,500 hectares of irrigated sugar cane and will add another 4,300 hectares in the coming seasons after completing the upland drip irrigation project. This expansion has no flood risk. The second sustainable initiative is the outgrower scheme which has been expanded by another 40 hectares to a total of 83 hectares. An additional 20 hectares under drip irrigation would be added during the next season. On the community front, sizeable investments were made in education by building a fifth community school and constructing a village clinic. The Company also ensured road access to remote villages after the record floods by building culverts and maintaining more than 30 kilometers of road.

At Nigerian Eagle Flour Mills Limited (NEFM) and Niger Mills Division, Calabar (NMD), attention was paid to growing topline assets, reducing cost, and enhancing profitability through continuous operations and financial metrics review. NEFM carried out a series of infrastructural refurbishments to enhance safety standards and minimise damages due to some unsafe practices. NMD also made remarkable efforts in churning out superior quality products to drive customer satisfaction and experience. Also, to ensure continuous peaceful co-existence with the local community, our business engaged in series of community development projects like skill acquisition programs, scholarship awards, and infrastructure rehabilitation as ways of improving the lives of host communities and ensuring business safety and security.

At our business facility in Agbara where we manufacture Pasta and Snacks, a series of irregular socio-economic challenges like scarcity of gas, astronomical fuel cost, cash scarcity, and high raw material prices led to production halt on several occasions. Despite these challenges, the Unit (Pasta) achieved 56% Overall Equipment Effectiveness (OEE) versus the 67% target. On the other hand, the Snacks Unit realised a 35% output increase YoY (from 3,000 tons the previous year to 4,020 tons this current year). Through the Unit, we launched Golden Penny Chin Chin, an applaudable move that is a direct response to our consumers' dietary needs.

Our Premium Edible Oil Products Limited (PEOPL) prioritized reinvention to enhance customer experience and patronage in the just concluded financial year. From the re-launch of our spread packaging to the launch of a new product line like the Golden Penny Choco spread, the Unit continues to drive business growth through innovation. The same approach was adopted in the strategic business growth process for Premier Feed Mills Company Limited (PFM) through the launch of new variants, such as the Pro-line, a sophisticated new formulation developed to ensure better outcomes or chicken farmers. In furtherance of the Group's local content development drive, PFM started a new factory in Kaduna to make our product more accessible to farmers and minimize supply chain bottlenecks.

In our Cassava starch value chain, through the Group's division, Premium Cassava Products Division (PCPD), we continued our backward integration drive/investments in developing local cultivation of cassava to mitigate raw materials scarcity and augment supplies from local farmers. Another 500 hectares of farmland was acquired and cleared during the year and an additional 244 hectares was cultivated. Our farm locations within Ogun State are OOU Ago Iwoye, Imodi Ijebu, Jobore, Apojola, and Iseyin, Oyo State.

**Our Core Priorities in the coming year**

**People:** Every member of the FMN family is invaluable to the Group. In affirmation of this importance, we continue to put in place relevant structures and policies designed to uplift, transform, and cater for the holistic well-being of our employees. It is a core mandate for us to propagate gender parity and inclusivity effectively and efficiently across the Group and entrench safe work ethics and behaviors. Through various vibrant initiatives by FMN Women Network like the creche facility for FMN employees' children between the ages of 3 – 18 months, the Girls in Action program (an initiative that supports the dreams of young girls by affording them the required mentorship and resources to actualize their dreams), we aim at achieving gender balance in Company. Through the Group's organizational culture transformation mandates, we are consistently working together to ensure an all-rounded and in-depth adoption that allows for the manifestation of our leadership mandates. With respect to our Health and Safety tenets, the Group continues to put measures in place to ensure zero fatality across all our sites and operations.

**Business:** It is a key mandate for us this year to set up the infrastructure for accelerating the expansion of our B2C branded portfolio in subsequent years. For the past six decades, we have been consistent in presenting our consumers with superior quality products which have endeared our brands to many; but to maintain this earned equity, we would be going beyond product offering to providing a superior brand experience. We would be fast-tracking our innovative efforts towards creating brands that will meet the needs of our consumers / customers. This commitment is already being demonstrated by our creation of different product lines that uniquely address the needs of consumers like the Golden Penny Choco spread and a new noodles flavour called Jollof Hot Hot noodles. It is a key strategic imperative to maximize our organization's value when decisions are made, especially as it relates to our B2B business. Whether the resolution is presented as an investment decision or a financing move, the end goal is to ensure that we are also optimising our shareholders' wealth and not just focusing on short-term profit maximization for the business. We are establishing structures that will enable us increase our market share in B2B to ensure that we remain profitable in the face of intense competition. This approach is a key customer retention strategy for us as an organization.

More so, the need to create value further back in the supply chain and reduce dependence on imported raw materials has been identified as a strategic imperative for our Group in the years ahead. We are looking at fostering new and innovative ways of developing local content in line with global best practices and standards so that we can also establish various opportunities for export based on identified needs and demands.

**Supply Chain and Operational Outlook:** Our continued investment in the Agro-Allied sector is predicated on the need to achieve economies of scale in food production via crop-specific value chains, increasing productivity and ultimately modernizing the country's agricultural sector. Our focus, in the long run, is on creating an integrated supply chain that can provide us with a competitive advantage and complete access to high-quality, fair-priced products from cultivation to final consumption while accelerating food processing, value addition, and sustainable development of not just our supply chain but the food sector in general. This global standard imperative will be represented in our route-to-market. We have made and continue to make investments in bolstering and diversifying our downstream distribution and route-to-market infrastructure. To that end, there is a need for us to effectively keep up with technology-driven solutions in market channels for continuous process evolution.

In terms of key operational adjustments, we are looking at energy cost-saving initiatives to significantly cushion the financial requirement in powering our facilities and production plants. The Group has put measures and resources in place to drive the elimination of fatal/catastrophic failures on generators and achieve 100% reliability across Business Units. We have also established structures that guarantee heat recovery in some of our facilities like PEOPL in Ibadan which allows for cost savings. By taking these actions, we are not only safeguarding the future financial health of our business but also upholding our commitment to maximizing value for our stakeholders in an environmentally responsible way. It is a testament to our team's expertise, foresight, and ability to navigate complex situations with a strategic approach.

I wish to thank all of you once again, our esteemed shareholders for your unwavering support and trust over the years, and to assure you of our commitment to driving this business to an envisaged height while building a sustainable company that we all can be proud of.

Thank you.

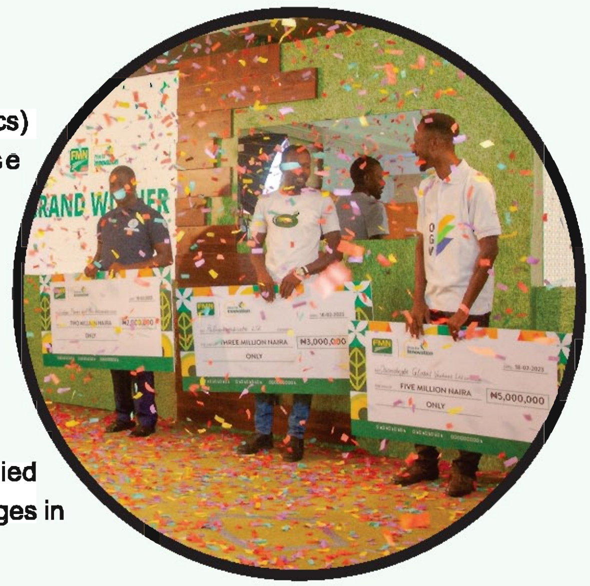
**Omoboyede O. Olusanya**
**Group Managing Director/CEO**

# INSPIRING SUSTAINABLE *Growth*

The FMN Prize for Innovation (PFI) is a strategic and deliberate effort geared toward revolutionizing and attaining food sustainability in Nigeria, and eventually across Africa. The Group, through this tech-table initiative, launched the PFI to seek out, identify and support innovators that are reinventing food production and processing in Nigeria.

Since its inception in 2021, the Group has financially, technically, and strategically supported four Innovators and Businesses, investing over N200,000,000 (Two Hundred Million Naira)

- Urban Akwu Agro-allied Limited (Chuks Ogbonna & Emezulem Amadi)
- Eupepsia Place Limited (Samson Ogbole): Soilless farming (hydroponics)
- Osomobegbe Global Ventures Limited (Eugene Olumese Osomobegbe): Design and fabrication of highly efficient solar dryers in Nigeria
- Palmark Syndicate Limited (Musa Pashi Ali): Production of tomato powder from tomato fruit.
- Indigo Farms and Bio Resources (Damilare Jacob Ogundipe): Production of Cassava Residue Pellets for Animal Feeds.




This reward and motivation process encourages Food and Agro-allied stakeholders to constantly innovate and find lasting solutions to the challenges in the food value chain in the country.


NEW
GOLDEN PENNY FOODS
The HOME of GOOD FOOD
IT'S RICH, IT'S TASTY
IT'S THE NEW
GOLDEN BITES
CHIN-CHIN
Golden Bites
CHIN CHIN
OH SO CRUNCHY!
SWEET CINNAMON FLAVOR
TOO GOOD TO SHARE

## The Board Of Directors and Company Secretary

### Mr. John George Coumantaros

CHAIRMAN

Mr. John G. Coumantaros is the Chairman, Board of Directors, of Flour Mills of Nigeria Plc (FMN). Mr. Coumantaros, an experienced and successful entrepreneur, sitting on the Board of several international companies, was born in 1961. He graduated from Yale University with a B.A. Degree in History in 1984.

Mr. Coumantaros began his long relationship with FMN in 1984 and was appointed to FMN's Board as a non-executive Director in 1990. He served as a Non-Executive Vice Chairman of the Company since 2012 before his present appointment as Chairman of FMN Board of Directors on 10th September 2014. He also sits on the Board of Oxbow Carbon LLC, a leading international energy company and is a director of ELBISCO a fast-moving consumer food business in Athens, Greece.

Mr. John Coumantaros has over 30 years experience in international trade, logistics, manufacturing, and industry and is passionately dedicated to continuing the evolution of FMN with its Golden Penny Food Brands as one of the leading fast-moving consumer food companies and largest agro-allied concerns in Nigeria.

### Mr. Paul Miyonmide Gbededo

VICE CHAIRMAN

Paul Gbededo, a Fellow of the Polymer Institute of Nigeria was appointed Vice Chairman of the Board on 4th December 2020. He was before then, the Group Managing Director/CEO, of Flour Mills of Nigeria Plc from April 2013 to December 2020.

Paul attended the Polytechnic of North London, UK where he obtained a Graduateship of the Plastic and Rubber Institute and an Associateship of the National College of Rubber Technology in 1980. Additionally, he holds an MSc. Degree in Polymer Technology (1981) of the Loughborough University of Technology, UK. He is an alumnus of Lagos Business School, Advanced Management Programme 3, 1994, and also attended an Executive Programme at Harvard Business School in 2013.

Paul's over 30 years career with FMN Group started at Nigerian Bag Manufacturing Company Plc in 1982 where he became the first indigenous Production Director in 1996. He thereafter led the establishment and growth of many subsidiaries including Golden Fertilizer Company Limited, Golden Pasta Company Limited, Golden Penny Rice Limited, and Golden Sugar Company Limited, either as pioneer General Manager or Director.

In July 2012, Paul was elevated to the position of pioneer Managing Director, Agro- Allied business, where he was charged with the responsibility of implementing FMN Group's backward integration policies, programmes and initiatives. He was later appointed the Group Managing Director/Chief Executive Officer.
Paul, who has a keen focus on results, is fully engaged in mentoring the career development of Nigerian Managers as well as expatriates.

## Mr. Omoboyede Oyebolanle Olusanya

GMD/CEO

Mr. Omoboyede Olusanya is a highly experienced leader with prowess in creating long-term strategic and financial value across several industries, including Telecommunications, Financial, Energy, and Manufacturing.

Prior to his appointment as the Group Managing Director/ Chief executive Officer at Flour Mills of Nigeria Plc (FMN), he has over the past two decades held several executive positions in various industries most recently as the Group Chief Operating Officer at FMN; the Group Operating Partner at Helios Investment Partners (a global private equity firm) where he managed diverse investment portfolios. Chief Executive Officer of Emerging Markets Telecommunication Service Limited (formerly Etisalat), where he anchored the sale process for 9mobile which he saw to completion; Partner at GA Capital Ltd (2016), a consulting and advisory firm providing technical and financial advisory services to several privately-owned businesses and government parastatals; Chief Transformation Officer at Dangote Industries Limited; Managing Director of Dancom Technologies and Acting CEO, VEE Networks Limited formerly ECONET Wireless where he successfully managed the transition of the company to a new brand. He also sits on the Board of Axxela Group (where he is the Chairman) among others.

Mr Olusanya holds a B.Sc. (Hons) in Civil Engineering from the University of Lagos, and two master's degrees in Environmental Engineering and Computer Science from the University of Liverpool and the University of Manchester respectively.

## Dr. (Mrs.) Salamatu Hussaini Suleiman

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. (Mrs.) Salamatu Hussaini Suleiman joined the Board of Flour Mills of Nigeria Plc as an Independent Non-Executive Director in March 2017 as the first female member of the Board of Directors, bringing along vast professional, administrative and corporate experience. She is presently an Independent non-executive director of Stanbic IBTC Holdings and NGX Regulation Limited. An experienced professional in corporate business development and an amazon in the Nigerian political sphere widely known for her advocacy for the education of the girl-child and women development.

Dr. (Mrs.) Suleiman obtained an LLB (Hons) degree from Ahmadu Bello University, Zaria in 1981, and an LLM from the London School of Economics & Political Science in 1987.

Her professional career of over 40 years cuts across public and private commercial law practices and she rose to high ranks as the Secretary and Director of Legal Services at the Securities & Exchange Commission between 2001 and 2008.

Dr. (Mrs.) Suleiman was appointed Honourable Minister of Women Affairs and Social Development in 2008 and went on to become the Honourable Minister of State for the Foreign Affairs in 2010. In February 2012, she was appointed Commissioner, Political Affairs Peace and Security, ECOWAS Commission.

Dr. (Mrs.) Suleiman was honoured with an Honorary Doctorate Degree by the University of Abuja. She currently serves as the Chairperson of the National Human Rights Commission and is a member of the ECOWAS Council of the Wise.

## Professor Jerry Gana, CON

NON-EXECUTIVE DIRECTOR

Professor Jerry Gana (a Commander of the Order of the Niger), graduated from Ahmadu Bello University, Zaria in 1970 with a B.A (Hons) Degree in Geography, and proceeded to the University of Aberdeen, Scotland, for an M.Sc. in Rural Resources Planning, leading to a Ph.D. Thesis on Market Place Systems and Rural Development in 1974.

He further obtained a Certificate in Education from the University of London, and taught at Ahmadu Bello University from 1974 to 1986, rising to the post of Professor in 1985.

Prof. Jerry Gana has served the nation in various capacities with distinction. These include Senator of the Federal Republic; Consult Director of the Directorate of Food, Roads and Rural Infrastructure (DFPRI); Chairman of MAMSER; Minister of Agriculture and Natural Resources; Minister of Information and Culture; Minister of Cooperation and Integration in Africa; and Minister of Information and National Orientation. He served as the Pro-Chancellor and Chairman of Council of the University of Lagos, UNILAG; Pro-Chancellor of Kwararafa University, Wukari; Chancellor, University of Mkar, Gboko; Promoter Proposed Walter Miller University, Diko; and Founder Cornerstone University of Technology, Bida. He is currently the Chairman of the Planning and Implementation Committee of Anglican University of Technology, Kweita – Abuja.

## Mr. Alfonso Garate

NON-EXECUTIVE DIRECTOR

Mr. Alfonso Garate, a Spanish national born in 1969 joined the Board of Flour Mills of Nigeria Plc as a Non-Executive Director on Wednesday 11 March 2015. He holds a Bachelor of Economics and Business Administration Degree from University Pontificia Comillas – ICADE, Madrid, Spain (1992) and attended Harvard Business School – Advanced Management Program (2009). He is also an alumnus of IMD (International Institute for Management Development) Business School of Post Graduate Studies in Lausane, Switzerland (2005 - 2007).

A very experienced professional in business development in emerging markets with strong capabilities in general management, business strategy, corporate finance, structured finance and international trading and shipping.

Mr. Garate started his career in investment banking and telecom institutions where he held numerous positions. Thereafter, he proceeded to Holcim Ltd where he held different management positions and subsequently became the Chief Executive Officer of Holcim Trading SA, the worldwide leader trading and shipping organization for cementitious and building materials.

## Mr. Ioannis Katsaounis

NON-EXECUTIVE DIRECTOR

Mr. Ioannis Katsaounis is a non-executive member of the Board of Directors of Flour Mills of Nigeria Plc a position he has occupied since September 1993.

Mr. Katsaounis holds a Bachelor of Science Degree in Mechanical Engineering (University of Minnesota 1969); an MBA in Economics from the University of California, Berkeley (1970); a Graduate Degree in Economics, University of Geneva (1972); and a Graduate Degree in Regional Development, University of Athens (1975).

He is an alumnus of Harvard Business School of Post-Graduate Studies.

Prior to joining the Board of Flour Mills, Mr. Katsaounis was the founder and owner of Plexus Construction Company, Greece (1974 – 1985). He has also served as Managing Director and General Manager of Alucanco S.A. Greece, an aluminum cans manufacturing company (1985-2000).

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## Mr. Thanassis Mazarakis

NON-EXECUTIVE DIRECTOR

Thanassis Mazarakis is a non-executive member of the Board of Directors of Flour Mills of Nigeria Plc, a position he has occupied since 3rd July 2006. He is also the Chairman of the Board Audit and Risk Management Committee.

He holds a Bachelor of Arts degree from Princeton University (1984) and a Masters in Business Administration from the Wharton School at the University of Pennsylvania (1988).

Prior to joining Flour Mills, Mr. Mazarakis held numerous finance, marketing and general management positions. Most recently he was the Chief Financial Officer of the Prudential Insurance Company of America, one of the largest US life insurance companies, and the Chief Executive Officer of Chase Merchant Services, the largest global credit and debit card transaction processor.

## Mr. Foluso Olajide Phillips

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Foluso O. Phillips (FOP) is a qualified Industrial Economist, a Fellow of the Chartered Institute of Management Accountants of the United Kingdom, and a Fellow of the Institute of Chartered Accountants of Nigeria.

He brings with him well over 45 years of global experience in financial and business operations management enterprise development, and macro-economic policy formulation. He is recognised within the industry for the delivery of exceptional professional service in people, technology and organisational transformation.

He is currently the Chairman of Standard Chartered Bank.

## Mrs. Juliet Chinyere Anammah

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mrs. Juliet C. Anammah was appointed as a Non- Executive Director to the Board of Directors of Flour Mills of Nigeria Plc in September 2020. She is a seasoned professional with over 28 years of experience in consulting, consumer goods and retail and e-commerce and has served in a non-executive capacity on many boards.

She is the founder of CG&R Strategy LLC, a consumer goods and retail specialty consulting company based in the United States. She advises clients on emerging market entry strategies, scaling digital start-ups, retail digital transformation and route to consumer operating model design and execution.

Her Consumer Goods and Retail experience spans over 20 years developing and implementing strategic roadmaps that improve competitive positioning and financial performance.

Juliet was CEO of Jumia Nigeria from 2015 to 2020. She led the company from an online retailer to an integrated Marketplace, Logistics and Payment eCommerce platform culminating in the Group's IPO on the NYSE. Jumia is Africa's first Tech start-up to be listed on the NYSE.

From 2020 to 2023 She was Jumia Group's Chief Sustainability officer. She pioneered ESG strategy and implementation at the company and Jumia became the first African eCommerce company to publish a sustainability report in 2022. Additionally, she chaired the Jumia Nigeria board and provided oversight to the Jumia Nigeria CEO on country level strategic issues.

Prior to Jumia she was the Managing Director / Partner of Accenture's West African Consumer Goods and Retail consulting practice.

Juliet is also currently an independent non-executive director of Nigerian Breweries. She is a member of Accion's board. She is also an advisory board member of the World Retail Congress and Stanford University's Global Centre for Sustainable digital Finance.

She has an MBA in Finance and is an alumnus of Wharton College Business school.

## Mr. Folarin Rotimi Abiola Williams

NON-EXECUTIVE DIRECTOR

Mr. F. R. A. Williams joined the Board of Flour Mills of Nigeria Plc as a non-executive member on 20th May 2005. He was educated at the Imperial College of Science and Technology, London where he graduated with B.Sc. (Hons.) AGGI Chemical Engineering. He received the Dr. Loveless Award for outstanding work in the Humanities from the University of London in 1976.

He studied at Selwyn College Cambridge from 1981 to 1983, obtaining MA (Hons) Cantab Law, and was called to the Nigerian Bar in 1984. Mr. Williams is a Senior Partner of Chief Rotimi Williams' Chambers. He is a highly experienced legal practitioner who is principally active in commercial and corporate advisory work and litigation. He was a founding council member and Treasurer of the Nigerian Bar Association Section on Business Law. He is a fellow of the Center for International Legal Studies Salzburg ,Austria.

He served on the boards of many companies including G. Cappa Plc, UPS Nigeria Ltd, GlaxoSmithKline Plc, United Geophysical Nigeria Ltd and Delta Steel Company. He is currently the Chairman of Pharma Deko Plc.

## Alhaji Rabiu Muhammad Gwarzo, OON

NON-EXECUTIVE DIRECTOR

Alhaji Rabiu Gwarzo, OON, Non-Executive Chairman of Northern Nigeria Flour Mills Plc started his educational career with a brief stint at Bayero University Kano and proceeded to West Ham College and North East London Polytechnic, both in London where he studied Commercial Accounting between 1972 and 1975. He holds a Certificate in Accounting and Finance from the University of Strathclyde, Glasgow, Scotland (1982).

He joined Northern Nigeria Flour Mills Plc as an Accountant in 1985, rose to the position of Deputy Managing Director in 1991; Managing Director in 1997, and was elevated to the position of Vice-Chairman of the Company in 2011. Alhaji Rabiu, (an Officer of the Order of Niger) who joined the Board of Flour Mills of Nigeria Plc as a non-executive member on 8th December 2009, is also a member of Kano Peace Development Initiative and a board member of Royal Exchange General Insurance Limited.

## Ms. Yewande Tawakalitu Sadiku

INDEPENDENT NON-EXECUTIVE DIRECTOR

Yewande Sadiku is an investment professional with 28 years of experience in investment banking and public service. She has a strong track record of high performance and principled leadership.

Yewande is currently Head of Investment Banking, International at Standard Bank Group. She is also the Chairman of the Board of Trustees of the Investors' Protection Fund of Nigerian Exchange Limited. She is a regular speaker on the investment facilitation for sustainable development.

She was Executive Secretary/CEO of the Nigerian Investment Promotion Commission (NIPC) Nigeria's national investment promotion agency from November 2016 to September 2021, where she worked on institutional reforms aimed at proactive investment promotion and embedding a culture of governance and proactive accountability. Her efforts earned NIPC first place in the 2021 national awards for compliance and transparency, up from the 90th position when she assumed office in 2016.

Yewande spent the previous 23 years in banking and was Executive Director for Stanbic IBTC's Corporate and Investment Banking business. She led a multi-disciplinary team to deliver business opportunities in Nigeria's complex operating environment while managing key relationships with regulators and leading corporate and multinational clients.

As Executive Producer of Half of a Yellow Sun (2014), Yewande raised over $8m to fund the full feature film. She was awarded the Eisenhower Fellowship for International Leadership in May 2010.

## Alhaji Yunus Olalekan A. Saliu

NON-EXECUTIVE DIRECTOR

Alhaji Yunus Olalekan A. Saliu, a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of the Association of Certified Chartered Accountants, U.K is a Non-Executive Director of Flour Mills of Nigeria Plc.
Alhaji Saliu who holds an Upper Second-Class Honours Bachelor of Science Degree in Economics - University of Ibadan in June 1969 had a brief stint with the Civil Service of the old Western Nigeria where he worked as Administrative Officer Grade IV (Assistant Secretary) from 1969 to December 1970. He traveled to the United Kingdom in January 1971 for training in Accountancy which he completed in June 1973.

On his return to Nigeria, he joined the accounting firm of KPMG Audit (formerly Peat Marwick Ani Ogunde & Co) as an Audit Senior in February 1974 and was admitted into the Partnership of the firm in 1982. He remained a Partner of KPMG for twelve years before vacating the position to join Flour Mills of Nigeria Plc in February 1994 as Finance Director/Company Secretary. He stepped aside from his role as Finance Director in September 2011 and continued to serve Flour Mills as an Executive Director and Company Secretary.

Alhaji retired as the Company Secretary on 31 December 2015 and remains on the Board of Directors as a Non-Executive Director of the Company.

An alumnus of Lagos Business School Executive Programme, Advanced Management (Programme 7), Alhaji Saliu attended some Executive and Leadership Development Programmes in the U.K., U.S.A., Switzerland and Australia.

Alhaji Saliu was the Vice-Chairman of the Body of Patrons, Lagos Mainland District Society of the Institute of Chartered Accountants of Nigeria.

## Mr. Muhammad Kabiru Ahmad, OON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ahmad has about 40 years of distinguished experience leading and working in various public sector organizations and financial services institutions in Nigeria. He was the pioneer Director-General and Chief Executive Officer of the National Pension Commission and oversaw the establishment and growth of the Pension industry in Nigeria.

He had worked as a bank supervisor at the Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Liberia. He was also a Departmental Director and a member of the Board of Federal Inland Revenue Service. He was also an Independent Non-Executive Director of FBN Holdings Plc and Fate Foundation as well as the Chairman of International Insurance Plc.
Mr. Ahmad was a member of the National Council on Privatisation chaired by the Vice President of Nigeria. He chaired the Technical Committee on the Nigerian Code of Corporate Governance constituted by the Financial Reporting Council of Nigeria, which produced the Nigerian Code of Corporate Governance in 2018.

Mr. Ahmad chaired the Technical Committee that produced the North East Transformation Strategy (NESTS), a medium-term Regional Development Strategy, for the sustainable socio-economic transformation and reconstruction of the Region, a strategy promoted by the six Governors of the constituent states of the region. He also assisted in the development of the Buhari Plan, which was initiated by the Federal Government of Nigeria to provide a framework for coordinating all initiatives and interventions by various actors for early recovery and sustainable development of the North East region as well as coordinated the crafting of the Borno State 25-Year Development Plan. Mr. Ahmad is a member of Governor's Advisory Council of `Gombe State which assist in developing and supervising policy initiatives of the State.
He obtained a BSc. Accounting degree from Ahmadu Bello University and a PG Diploma (Innovation & Strategy), University of Oxford.

He is a director at Polaris Bank Limited; Flour Mills of Nigeria Plc; Infrastructure Corporation of Nigeria Ltd (InfraCorp); Credent Capital and Advisory Limited; Buraq Capital Limited; Data Guard Document Management Limited; Society for Corporate Governance Nigeria and Pan Atlantic University.
His board committee membership includes Chairman-Remuneration and Human Resources Committee, Member-Board Audit Committee, Member-Social, Ethics and Sustainability Committee.

## Mr. Joseph Odion Umolu

COMPANY SECRETARY

Mr. Joseph Odion Umolu is currently the Company Secretary/Group Director, Legal Services of Flour Mills of Nigeria Plc with a career in corporate legal practice that cuts across both the private and public sectors and spans over two decades.

He holds a Bachelor of Arts Degree in Philosophy from the University of Ibadan and a Degree in Law, from the University of Lagos. He was called to the Nigerian Bar in October 2000 and subsequently obtained a Master of Laws degree from the University of Lagos.

He commenced his career in Gocuz Chambers where he was the Managing Counsel before joining the Nigerian Civil Aviation Authority as Senior Legal Officer in 2003. He proceeded to the Legal Department of Union Bank of Nigeria Plc where he rose to the position of a Manager. Joseph began his career with FMN as Manager, Legal Services in January 2012 and later became Head, Legal Services in 2014. He was appointed the Company Secretary in January 2016 and became Director, Legal Services in 2017.

He is a member of the Nigerian Bar Association (NBA), the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN), the Institute of Directors (IOD) and the Society for Corporate Governance, Nigeria.

# EXECUTIVE LEADERSHIP TEAM











1. **Boye Olusanya**
   GMD, CEO
2. **Devin Hainsworth**
   MD, Food Division
3. **Nassib Raffoul**
   MD, Honeywell Flour mills
4. **Stoney Su**
   MD, Agro- Allied Division
5. **Anders Kristiansson**
   Group Chief Finance Officer
6. **Wale Adediran**
   Group HR & Services Director
7. **Joseph Umolu**
   Company Secretary &
   Group Director, Legal Services
8. **Bola Adeeko**
   Group Director, Special Projects
9. **Sadiq Usman**
   Group Director, Strategy &
   Stakeholder Relations
10. **Cephas Afebuameh**
    Group Director, Supply Chain


GOLDEN PENNY FOODS
The HOME of GOOD FOOD
IT'S TIME TO
Chocooh
NEW
OMEGA 6
OMEGA 3
GOLDEN PENNY
Chocooh
SPREAD
WITH COCOA
NET WEIGHT 585g
PREMIUM QUALITY

# Report of The Directors

## ACCOUNTS

The Directors are pleased to present the annual report together with the audited consolidated and separate financial statements of Flour Mills of Nigeria Plc ("the Company" or "FMN") and its subsidiaries (together, "the Group") for the year ended 31 March 2023.

## LEGAL FORM

The Company was incorporated in Nigeria on 29 September 1960 as a private limited liability company and converted to a public liability company in November, 1978. The shares are currently quoted on Nigerian Exchange Limited (NGX).

## PRINCIPAL ACTIVITIES

The Group is primarily engaged in flour milling; production of pasta, noodles, edible oil and refined sugar; production of livestock feeds; farming and other agro-allied activities; distribution and sale of fertilizer; manufacturing and marketing of laminated woven polypropylene sacks and flexible packaging materials; operation of Terminals A and B at the Apapa Port; customs clearing, development of real estate properties for rental purposes, forwarding and shipping agents and logistics.

## RESULTS

| | Group | | Company | |
|---|---|---|---|---|
| | 31- Mar- 23 | 31- Mar- 22 | 31- Mar-23 | 31- Mar-22 |
| | N '000 | N '000 | N '000 | N '000 |
| Revenue | 1,539,654,788 | 1,163,802,851 | 923,015,713 | 832,810,561 |
| Operating profit | 97,760,224 | 65,513,351 | 48,288,706 | 32,165,916 |
| Profit before minimum taxation | 42,752,114 | 41,118,148 | 32,252,805 | 29,748,829 |
| Profit for the year | 29,504,285 | 28,015,225 | 14,173,904 | 21,819,815 |
| Total comprehensive income for the year | **31,441,581** | **27,982,176** | **15,965,572** | **21,476,488** |

## DIVIDEND

The Directors are pleased to recommend to shareholders at the forthcoming annual general meeting the declaration of a total of N9.23 billion (2022: N8.82 billion ) representing a dividend of N2.25 (2022: N2.15) per ordinary share of 50 kobo each. This dividend, if approved by the shareholders, is subject to deduction of appropriate withholding tax.

## DIRECTORS AND DIRECTORS' INTERESTS

The names of Directors who are currently in office are detailed on page 8.

In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, offer themselves for re-election at the next Annual General Meeting:

Retiring by rotation:

Mr. Muhammad K. Ahmad, OON
Mrs. Juliet Anammah
Mr. Paul Gbededo
Alhaji Yunus O. A. Saliu
Mr. Folarin R. A. Williams

## PROFILE OF DIRECTORS SEEKING RE-ELECTION

Profile of Directors seeking re-election or confirmation at the Annual General Meeting:

Mr. Muhammad K. Ahmad, OON
Mrs. Juliet Anammah
Mr. Paul Gbededo
Alhaji Yunus O. A. Saliu
Mr. Folarin R. A. Williams

### Mr. Muhammad K. Ahmad, OON

Mr. Ahmad has about 40 years of distinguished experience leading and working in various public sector organizations and financial services institutions in Nigeria. He was the pioneer Director-General and Chief Executive Officer of the National Pension Commission and oversaw the establishment and growth of the Pension industry in Nigeria. He had worked as a bank supervisor at the Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Liberia. He was also a Departmental Director and a member of the Board of Federal Inland Revenue Service. He was also an Independent Non-Executive Director of FBN Holdings Plc and Fate Foundation as well as the Chairman of International Insurance Plc.

Mr. Ahmad was a member of the National Council on Privatisation chaired by the Vice President of Nigeria. He chaired the Technical Committee on the Nigerian Code of Corporate Governance constituted by the Financial Reporting Council of Nigeria, which produced the Nigerian Code of Corporate Governance in 2018.

Mr. Ahmad chaired the Technical Committee that produced the North East Transformation Strategy (NESTS), a medium-term Regional Development Strategy, for the sustainable socio-economic transformation and reconstruction of the Region, a strategy promoted by the six Governors of the constituent states of the region. He also assisted in the development of the Buhari Plan, which was initiated by the Federal Government of Nigeria to provide a framework for coordinating all initiatives and interventions by various actors for early recovery and sustainable development of the North East region as well as coordinated the crafting of the Borno State 25-Year Development Plan. Mr. Ahmad is a member of Governor's Advisory Council of `Gombe State which assist in developing and supervising policy initiatives of the State. He obtained a Bsc. Accounting degree from Ahmadu Bello University and a PG Diploma (Innovation & Strategy), University of Oxford.

He is a director at Polaris Bank Limited; FMN; Infrastructure Corporation of Nigeria Ltd (InfraCorp); Credent Capital and Advisory Limited; Buraq Capital Limited; Data Guard Document Management Limited; Society for Corporate Governance Nigeria and Pan Atlantic University. His board committee membership includes Chairman-Remuneration and Human Resources Committee, Member-Board Audit Committee, Member-Social, Ethics and Sustainability Committee.

### Mrs. Juliet C. Anammah

Mrs. Juliet Anammah was appointed as a Non- Executive Director to the Board of Directors of FMN in September 2020. She is a seasoned professional with over 28 years of experience in consulting, consumer goods and retail and e-commerce and has served in a non-executive capacity on many boards.

She is the founder of CG&R Strategy LLC, a consumer goods and retail specialty consulting company based in the United States. She advises clients on emerging market entry strategies, scaling digital start-ups, retail digital transformation and route to consumer operating model design and execution. Her Consumer Goods and Retail experience spans over 20 years developing and implementing strategic roadmaps that improve competitive positioning and financial performance.

Juliet was CEO of Jumia Nigeria from 2015 to 2020. She led the company from an online retailer to an integrated Marketplace, Logistics and Payment eCommerce platform culminating in the Group's IPO on the NYSE. Jumia is Africa's first Tech start-up to be listed on the NYSE. From 2020 to 2023 She was Jumia Group's Chief Sustainability officer. She pioneered ESG strategy and implementation at the company and Jumia became the first African eCommerce company to publish a sustainability report in 2022. Additionally, she chaired the Jumia Nigeria board and provided oversight to the Jumia Nigeria CEO on country level strategic issues.

## Report of the Directors continued

Prior to Jumia she was the Managing Director / Partner of Accenture's West African Consumer Goods and Retail consulting practice. Juliet is also currently an independent non-executive director of Nigerian Breweries. She is a member of Accion's board. She is also an advisory board member of the World Retail Congress and Stanford University's Global Centre for Sustainable digital Finance. She has an MBA in Finance and is an alumnus of Wharton College Business school.

### Mr. Paul Gbededo

Paul Gbededo, a Fellow of the Polymer Institute of Nigeria was appointed Vice Chairman of the board on 4th December 2020. He was before then, the Group Managing Director/CEO, of FMN from April 2013 to December 2020. Paul attended the Polytechnic of North London, UK where he obtained a Graduateship of the Plastic and Rubber Institute and an Associateship of the National College of Rubber Technology in 1980. Additionally, he holds an MSc. Degree in Polymer Technology (1981) of the Loughborough University of Technology, UK. He is an alumnus of Lagos Business School, Advanced Management Programme 3, 1994, and also attended an Executive Programme at Harvard Business School in 2013.

Paul's over 30 years career with FMN Group started at Nigerian Bag Manufacturing Company Plc in 1982 where he became the first indigenous Production Director in 1996. He thereafter led the establishment and growth of many subsidiaries including Golden Fertilizer Company Limited, Golden Pasta Company Limited, Golden Penny Rice Limited, and Golden Sugar Company Limited, either as pioneer General Manager or Director. In July 2012, Paul was elevated to the position of pioneer Managing Director, Agro-Allied business, where he was charged with the responsibility of implementing FMN Group's backward integration policies, programmes and initiatives. He was later appointed the Group Managing Director/Chief Executive Officer. Paul, who has a keen focus on results, is fully engaged in mentoring the career development of Nigerian Managers as well as expatriates.

### Alhaji Yunus O. A. Saliu

Alhaji Y. Olalekan A. Saliu, a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of the Association of Certified Chartered Accountants, U.K is a Non-Executive Director of FMN. Alhaji Saliu who holds an Upper Second-Class Honours Bachelor of Science Degree in Economics - University of Ibadan in June 1969 had a brief stint with the Civil Service of the old Western Nigeria where he worked as Administrative Officer Grade IV (Assistant Secretary) from 1969 to December 1970. He traveled to the United Kingdom in January 1971 for training in Accountancy which he completed in June 1973.

On his return to Nigeria, he joined the accounting firm of KPMG Audit (formerly Peat Marwick Ani Ogunde & Co) as an Audit Senior in February 1974 and was admitted into the Partnership of the firm in 1982. He remained a Partner of KPMG for twelve years before vacating the position to join FMN in February 1994 as Finance Director/Company Secretary. He stepped aside from his role as Finance Director in September 2011 and continued to serve Flour Mills as an Executive Director and Company Secretary. Alhaji retired as the Company Secretary on 31 December 2015 and remains on the Board of Directors as a Non-Executive Director of the Company.

An alumnus of Lagos Business School Executive Programme, Advanced Management (Programme 7), Alhaji Saliu attended some Executive and Leadership Development Programmes in the U.K., U.S.A., Switzerland and Australia. Alhaji Saliu was the Vice-Chairman of the Body of Patrons, Lagos Mainland District Society of the Institute of Chartered Accountants of Nigeria.

## Report of the Directors continued

### Mr. Folarin R. A. Williams

Mr. Folarin R. A. Williams joined the Board of Flour Mills of Nigeria Plc as a non-executive member on 20th May 2005. He was educated at the Imperial College of Science and Technology, London where he graduated with B.Sc. (Hons.) AGGI Chemical Engineering. He received the Dr. Loveless Award for outstanding work in the Humanities from the University of London in 1976.

He studied at Selwyn College Cambridge from 1981 to 1983, obtaining MA (Hons) Cantab Law, and was called to the Nigerian Bar in 1984. Mr. Williams is a Senior Partner of Chief Rotimi Williams' Chambers. He is a highly experienced legal practitioner who is principally active in commercial and corporate advisory work and litigation. He was a founding council member and Treasurer of the Nigerian Bar Association Section on Business Law. He is a fellow of the Center for International Legal Studies Salzburg, Austria He served on the boards of many companies including G. Cappa Plc, UPS Nigeria Ltd, GlaxoSmithKline Plc, United Geophysical Nigeria Ltd and Delta Steel Company. He is currently the Chairman of Pharma Deko Plc.

### DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of consolidated and separate financial statements which give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 . In doing so, they ensure that:

- Proper accounting records are maintained.
- Applicable accounting standards are complied with.
- Suitable accounting policies are adopted and consistently applied.
- Judgments and estimates made are reasonable and prudent.
- The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business.
- Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets, prevent and detect fraud and other irregularities.

### DIRECTORS' INTERESTS IN SHARES

The Directors' interests in the issued share capital of the Company as recorded in the Register of members and/or as notified by them for the purpose of Section 301 of CAMA 2020 and disclosed in accordance with Section 385 also of CAMA 2020 are as follows:

## Report of the Directors continued

| | 31-Mar-23 | | 31-Mar-22 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| Mr. John G. Coumantaros | - | 2,597,314,890 | - | 2,597,314,890 |
| Mr. Paul M. Gbededo | 10,836,154 | - | 10,836,154 | - |
| Mr. Omoboyede O. Olusanya. | - | - | - | - |
| Prof. Jerry Gana, CON | 44,000 | - | 44,000 | - |
| Mr. Ioannis Katsaounis** | 3,561,512 | 8,295,673 | 3,561,512 | 8,295,673 |
| Mr. Thanassis Mazarakis | - | - | - | - |
| Mr. Folarin R. A. Williams | 30,082 | - | 30,082 | - |
| Alhaji Rabiu M. Gwarzo, OON | 199,722 | - | 199,722 | - |
| Alhaji Yunus O. A. Saliu | 1,235,699 | - | 1,235,699 | - |
| Mr. Foluso O. Phillips | - | - | - | - |
| Mr. Alfonso Garate | - | - | - | - |
| Dr. (Mrs.) Salamatu H. Suleiman | - | - | - | - |
| Mrs. Juliet Anammah | - | - | - | - |
| Mr. Muhammad K. Ahmad, OON | - | - | - | - |
| Ms. Yewande T. Sadiku | - | - | - | - |

*Mr. John G. Coumantaros represents Excelsior Shipping Company Limited. See Note 1.4 of the consolidated and separate financial statements.

**Mr. Ioannis Katsaounis owns these shares indirectly through Windward Transport Company.

### SUBSTANTIAL INTEREST IN SHARES

The Registrar has advised that according to the Register of Members on 31 March 2023, apart from Excelsior Shipping Company Limited with 2,597,314,890 (2022: 2,597,314,890), representing 63.34% of the paid up share capital, no other individual shareholder held up to 5% of the issued share capital of the Company.

### ANALYSIS OF SHAREHOLDING STRUCTURE

As at 31 March, 2023:

| Share Range | No of shareholders | Percentage(%) | No of shares held | Percentage(%) |
|---|---|---|---|---|
| 1-1,000 | 29,550 | 36.34 | 11,842,252 | 0.29 |
| 1,001 -5,000 | 38,885 | 47.81 | 92,841,342 | 2.26 |
| 5,001 -10,000 | 5,734 | 7.05 | 40,584,581 | 0.99 |
| 10,001 -50,000 | 5,300 | 6.52 | 113,174,380 | 2.76 |
| 50,001 -100,000 | 827 | 1.02 | 59,561,907 | 1.45 |
| 100,001 -500,000 | 778 | 0.96 | 165,57[illegible] | 4.04 |
| 500,001 -1,000,000 | 120 | 0.15 | 87,789,000 | 2.14 |
| 1,000,001 and above | 130 | 0.16 | 3,529,028,308 | 86.07 |
| | 81,324 | 100 | 4,100,395,606 | 100 |

## Report of the Directors continued

### DONATIONS AND CHARITABLE GIFTS

No donation was made to any political party or organization during the year.
Donations and charitable gifts amounting to N168.6 million were made during the year (2022: N183.4 billion):

| | 31-Mar-23 | 31-Mar-22 |
|---|---|---|
| | Naira | Naira |
| Coalition support for COVID-19 (including vaccination program support) | - | 108,176,000 |
| Donation to 49th AGM of Manufacturers Association of Nigeria | - | 50,000 |
| Donations and annual grants to Universities | 8,000,000 | 7,530,000 |
| Sponsorship of Nigeria Economic Summit Group | 45,000,000 | 34,500,000 |
| Humanitarian donation and sponsorship | 45,768,169 | 29,185,984 |
| Sponsorship to Professional Institutes | 40,400,000 | 4,000,000 |
| Commercial Corn Seed Initiative | 27,387,500 | - |
| CIBN 57th Annual Banker's Conference | 2,000,000 | - |
| | **168,555,669** | **183,441,984** |

### SIGNIFICANT EVENT DURING THE YEAR

On 12th May 2022, FMN acquired 77.75% of the voting rights of Honeywell Flour Mills Plc (HFM), a manufacturer and marketer of wheat-based products including flour, semolina, whole wheat meal, noodles and pasta.

The transaction was entered into as part of FMN Group's global growth strategy, to create a stronger and more resilient national champion for Nigeria and further enhance food security. The transaction combined the strategic talents that are unique to each company, enhance customer's access to a wider range of innovative products and enable FMN expand its group operations.

### POST BALANCE SHEET EVENTS

Except as disclosed in Note 52 of the financial statements, there were no significant developments since the balance sheet date which could have had a material effect on the state of affairs of the Group and Company at 31st March 2023 and the profit for the year ended on that date which have not been adequately provided for or disclosed in the financial statements.

### MAJOR DISTRIBUTORS

The Company's products are distributed through key distributors who cover the entire country.

### SUPPLIERS

The Company obtains its materials from overseas and local suppliers. Amongst its main overseas and local suppliers are Star Trading Company Limited, Buhler A.G, First Blend Limited, Vitachem Nigeria Limited, Montizen Limited and Wahum Packaging Limited.

## Report of the Directors continued

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are shown under Note 18 to the consolidated and separate financial statement. In the opinion of the Directors, the recoverable amount of the Company's property, plant and equipment is not less than the value shown in the audited consolidated and separate financial statements.

### HUMAN CAPITAL

***(a) Employment and Employees***

The Company reviews its employment policy in line with the needs of our business. Careful recruiting is undertaken to ensure that potential high performers are attracted and retained.

***(b) Employee Developments***

Local and overseas training and development programmes are organized to meet the needs of the Company's modernization / automation strategy implementation.The Company continues to place premium on its human capital development arising from the fact that this would ensure improved efficiency of the business and maintain strategic advantage over competition.

***(c) Health, Safety and Environment***

The Company appreciates the value of safe work environment to business success and therefore embarks on periodic assessment to ensure compliance and safety. Employees are continuously sensitized and pep talks on safety procedures precede the commencement of each shift in the operational areas and at relevant meetings. The Company provides personal protective equipment to employees as required by the nature of their jobs and safety officers perform regular monitoring to ensure usage compliance.

The employee canteens at Iganmu, Apapa and other major sites continue to provide nutritionally balanced healthy meals in very conducive environment and at subsidized rates.

***(d) HIV/AIDS Policy***

HIV/AIDS policy guidelines are in place and employees are encouraged to undertake voluntary counseling and testing (VCT) in order to confirm their HIV status. Continuous interactions at workshops with known HIV positive individuals are arranged from time to time to educate staff and eliminate discrimination and stigmatization. Regular educational programmes are arranged to sustain the message as part of the activities to mark World's AIDS day annually.

***(e) Performance Management/Target Setting***

Performance management/target setting is implemented in line with Management's resolve to set strategic objectives for effective monitoring of performance of the Company and its employees.

### SUSTAINABILITY STATEMENT

As a socially responsible organization, FMN's sustainability approach is based on respect for our people, cultures and the natural environment.

We are committed to contributing to the preservation of biodiversity by lowering our water use, waste and greenhouse gas emission, energy use, and carbon emissions. The health and welfare of our employees and host communities remains a priority as we strive to improve the environmental, social and economic impacts of our operations.

Our vision becomes reality by putting into action programs and practices that optimize the use of natural resources, by developing energy efficient products and technologies, and by fostering innovations and creative solutions adding value for our stakeholders. We have the capacity to grow sustainably.

### AUDITORS

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 401(2) of

## Report of the Directors continued

CAMA 2020, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.
A resolution will however be proposed authorizing the Directors to determine the remuneration of the Auditors.

BY ORDER OF THE BOARD

JOSEPH O. UMOLU
Company Secretary
FRC/2013/NBA/00000003687
1 Golden Penny Place,
Wharf Road, Apapa.
Lagos, Nigeria.
28 August 2023

# CORPORATE GOVERNANCE REPORT

## 1. INTRODUCTION
Flour Mills of Nigeria Plc is committed to the best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner that conforms to highest ethical standards. This enables the Board of Directors and Management to accomplish the Company's strategic goals, ensure good growth and corporate stability for the benefit of all stakeholders.

## 2. BOARD COMPOSITION
The Company's Articles of Association provide that the Company's Board of Directors shall consist of not more than fifteen directors. Presently, the Board has a non-executive Chairman, a non-executive Vice Chairman, one executive director and twelve non-executive directors, five of whom are independent non-executive directors. The thorough process for selecting Board members gives premium to educational and professional background, integrity, competence, capability, knowledge, expertise, skills, experience and diversity.

## 3. BOARD MEETINGS
Members of the Board of Directors hold a minimum of four quarterly meetings to approve the company's business strategy and objectives, decide on policy matters, direct and oversee the Company's affairs, progress, performance, operations, and finances; and ensure that adequate resources are available to meet the Company's goals and objectives. Attendance of Directors at Board meetings is very good.

It is noteworthy that the Company's Memorandum and Articles of Association allow for teleconferencing in order to ensure wide consultation and maximum participation by board members.

In line with provisions of Section 284(2) of the Companies and Allied Matters Act (CAMA) 2020, the record of Directors attendance at Board meetings shall be available for inspection at the Annual General Meeting.

## 4. ROLE OF DIRECTORS
The highlights of the role of directors include:

- Critical and regular examination of the Company's overall strategy to ensure that its goals, business plan and budget are in alignment.
- Assign respective committees to consider and take appropriate decision on issues requiring Board attention.
- Establish well-considered objectives for the Company and monitor implementation, reviewing performing and ensure the deployment of appropriate competencies.
- Ensure that adequate resources are available to meet the company's goals and objectives.
- Oversee Board appraisal, training, succession planing, appointment and remuneration of members.

## 5. FREQUENCY AND ATTENDANCE OF BOARD MEETINGS
The Board held ten (10) meetings during the financial year ended 31st March 2023. The notice for each meeting was in line with the Company's Articles of Association and Board papers were provided to directors in advance.

Senior Executives of the Company were invited to attend Board meetings from time to time to make representations of their business units.

A summary of the record of attendance at Board meetings is presented below:

| Names | 18-May-22 | 27-May-22 | 27-Jul 22- | 06-Sep-22 | 26-Oct-22 | 09-Nov-22 | 26-Jan-23 | 08-Feb-23 | 27-Mar-23 |
|---|---|---|---|---|---|---|---|---|---|
| Mr. John G. Coumantaros | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes |
| Mr. Paul M. Gbededo | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Omoboyede O. Olusanya | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Alhaji Yunus O. A. Saliu | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Alhaji Rabiu M. Gwarzo, OON | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Ioannis Katsaounis | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Thanassis Mazarakis | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Folarin R. A. Williams | Yes | Yes | Yes | No | No | Yes | Yes | No | Yes |
| Prof. Jerry Gana, CON | Yes | Yes | Yes | No | No | No | No | Yes | Yes |
| Mr. Foluso Olajide Phillips *[Independent]* | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Alfonso Garate | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dr. (Mrs.) Salamatu H. Suleiman *[Independent]* | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mrs. Juliet Anammah *[Independent]* | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Mr. Muhammad K. Ahmad, OON *[Independent]* | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Ms. Yewande Sadiku *[Independent]* | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

Legend:
Yes - Present
No - Absent

## 6. COMPANY SECRETARY

The Company has a functional Company Secretariat department that supports and assists the Board and Management in implementing and sustaining good corporate governance practices and culture. The Company's Secretariat Department is headed by the Company Secretary/Group Director, Legal Services.

## 7. BOARD COMMITTEES AND STATUTORY AUDIT COMMITTEE

The Board of Directors has three principal board committees. These are listed below with the summary of attendance at meetings held during the financial year ended 31 March 2023:

### *(a) Remuneration/Governance Committee*

Members of the committee include:

- Mr. Foluso O. Phillips - Chairman
- Mr. Muhammad K. Ahmad, OON
- Mr. Thanassis Mazarakis
- Dr. (Mrs.) Salamatu H. Suleiman
- Mr. Folarin R. A. Williams
- Mr. Joseph O. Umolu - Company Secretary

## Corporate Governance Report continued

### Record Of Attendance At Meetings:

| Names | 05-May-22 | 24-Aug-22 | 02-Nov-22 | 20-Jan-23 |
|---|---|---|---|---|
| Mr. Foluso O. Phillips | Yes | Yes | Yes | Yes |
| Mr. Thanassis Mazarakis | Yes | Yes | Yes | Yes |
| Dr. (Mrs.) Salamatu H. Suleiman | Yes | Yes | Yes | Yes |
| Mr. Muhammad K. Ahmad, OON | No | No | Yes | Yes |
| Mr. Folarin R.A. Williams | Yes | Yes | Yes | Yes |
| Mr. Joseph O. Umolu | Yes | Yes | Yes | Yes |

Legend:
Yes - Present
No - Absent

***(b) Audit and Risk Management Committee***

Members of the committee and meetings include:

Mr. Thanassis Mazarakis - Chairman

Mrs. Juliet C. Anammah

Mr. Paul M. Gbededo

Alhaji Rabiu M. Gwarzo, OON

Mr. Omoboyede O. Olusanya

Alhaji Yunus O. A. Saliu

Mr. Joseph O. Umolu - Company Secretary

### Record Of Attendance At Meetings:

| Names | 13-Jul-22 | 19-Oct-22 | 25-Jan-23 |
|---|---|---|---|
| Mr. Thanassis Mazarakis | Yes | Yes | Yes |
| Mr. Omoboyede O. Olusanya | Yes | Yes | Yes |
| Mr. Paul M. Gbededo | Yes | Yes | Yes |
| Alhaji Rabiu M. Gwarzo, OON | Yes | Yes | Yes |
| Alhaji Yunus O. A. Saliu | Yes | Yes | Yes |
| Mrs. Juliet C. Anammah | Yes | Yes | Yes |
| Mr. Joseph O. Umolu | Yes | Yes | Yes |

Legend:
Yes - Present
No - Absent

The Board also has a committee known as the Board Local Content Committee and its composition was approved by the Board at its meeting of 3 March 2021:

## Local Content Committee

Mr. Paul M. Gbededo - Chairman

Mr. Muhammad K. Ahmad

Mr. Thanassis Mazarakis

Mr. Omoboyede O. Olusanya

Alhaji Yunus O. A. Saliu

Mr. Joseph O. Umolu - Company Secretary

Record Of Attendance At Meetings:

| Names | 06-May-22 | 25-Aug-22 | 03-Nov-22 | 19-Jan-23 |
|---|---|---|---|---|
| Mr. Paul M. Gbededo | Yes | Yes | Yes | Yes |
| Mr. Omoboyede O. Olusanya | Yes | Yes | No | No |
| Mr. Thanassis Mazarakis | Yes | Yes | Yes | Yes |
| Alhaji Yunus O. A. Saliu | Yes | Yes | Yes | Yes |
| Mr. Muhammad K. Ahmad | Yes | Yes | Yes | Yes |
| Mr. Joseph O. Umolu | Yes | Yes | Yes | Yes |

Legend:
Yes - Present
No - Absent

***Statutory Audit Committee***
**Composition**

Pursuant to section 404(3) of CAMA 2020, the Company's Audit Committee comprises two Directors, three shareholders and the Company Secretary as secretary of the Committee as follows:

Mr. Adesina Olalekan Oladepo - Chairman

Mr. Shekoni Nurudeen Adebayo

Mr. Adeshina Tajudeen Imran

Mr. Foluso O. Phillips

Alhaji Yunus O. A. Saliu

Mr. Joseph O. Umolu - Company Secretary

The functions of the Committee are laid down under section 404(7) of CAMA 2020.

**Meetings:**

Members of the Statutory Audit Committee receive regular reports and updates on financial matters and internal control reviews from the Finance team, and internal and external auditors. A summary of the record of attendance at Statutory Audit Committee meetings held during the financial year ended 31 March 2023 is shown below:

## Corporate Governance Report continued

| Names | 23-May-22 | 26-Jul-22 | 15-Nov-22 | 24-Jan-23 |
|---|---|---|---|---|
| Mr. Adesina O. Oladepo | Yes | Yes | Yes | Yes |
| Mr. Shekoni N. Adebayo | Yes | Yes | Yes | Yes |
| Mr. Adeshina T. Imran | Yes | Yes | Yes | Yes |
| Mr. Foluso O. Phillips | Yes | Yes | Yes | Yes |
| Alhaji Yunus O. A. Saliu | Yes | Yes | Yes | Yes |
| Mr. Joseph O. Umolu | Yes | Yes | Yes | Yes |

Legend:
Yes - Present
No - Absent

### 8. DIVISIONS AND DIRECTORATES

For effective management, the Company is structured along the following Divisions and Directorates:

Agro Allied
Bag Manufacturing
Corporate Services/Legal
Fertilizer Operations
Finance
Flour Operations
General Services
Human Resources
Internal Audit (Business Assurance)
Logistics
Marketing & Sales
Pasta Production
Special Projects
Stakeholder Relations
Supplies/Procurement
Technical

### 9. GENDER DIVERSITY ON THE BOARD

The Board promotes diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance. These attributes include field of knowledge, skills and experience as well as age, culture and gender. The Board has in place processes that establish measurable objectives for achieving diversity in gender and other areas.

### 10. BOARD APPOINTMENTS

The Board of Directors is responsible for the overall direction, supervision and control of the company. The Company's Articles of Association, CAMA 2020, the Securities and Exchange Commission's (SEC) Corporate Governance Guidelines and the Nigerian Code of Corporate Governance 2018 describe the responsibilities and authorities of the Board of Directors and set out rules and procedures for the composition, appointment and operations of the Board of Directors.

The Board has a formal induction programme for new directors including, but not limited to; facility visits, engagement with Board and Management officials, business and governance structure familiarization. Important corporate documents on the Company's profile, history, core values and general business direction are made available to new directors. The Board of Directors has an approved annual training plan designed in line with the identified training needs and suggestions of its members.

The Remuneration and Governance Committee of the Board assesses and evaluates prospective candidates and make appropriate recommendations to the Board with respect to the appointment of Directors. A description of the desirable characteristics that the Remuneration and Governance Committee and the Board, should consider before recommending candidates for nomination/appointment as Directors, are set out in the Board of Directors Charter and include:

- Integrity, reputation, knowledge, competence and commitment.
- Familiarity with the commercial and economic environment.
- Regional balancing.
- Good network in FMN areas of business

The Remuneration and Governance Committee reviews such qualities and characteristics at least annually and recommend any appropriate changes to the Board for consideration.

## 11. Board Evaluation Process and Summary of Evaluation Results

| PARTICULARS | REMARKS |
|---|---|
| General Information | The Company's general Information is as provided for in this Annual Report. |
| Attendance at Board Meetings; Audit Committee and Board Committee meetings | Satisfactory. |
| Part A - Board of Directors and Officers of the Board:<br><br>Principle 1 - Role of the Board | The Board is the ultimate decision-making body of the Company and is responsible for exercising leadership, enterprise, integrity and judgment in its oversight and control of the Company to achieve the and prosperity; Company's continued survival<br><br>The Company has a Board Charter and Code of Conduct approved by the Board which guides members on the operations of the Board, duties and obligations of members, expected conduct and how to avoid conflict of interest in any business relationship with the Company. |
| Principle 2 - Board Structure and Composition | The Board is comprised of and continues to balance its diverse mix of professionals with the right blend of skills and expertise including the business, commercial and an industrial experience needed to govern the Company. |
| Principle 3 - Chairman | The Chairman's roles and responsibilities are clearly defined in the Board Charter including ensuring the effective operation of the Board such that the Board works as a group towards achieving the Company's strategic objectives; provide leadership to the Board and ensure its effectiveness in all aspects of its role. |
| Principle 4 - Group Managing Director/Chief Executive Officer | The Group Managing Director/Chief Executive Officer's (GMD/CEO) roles and responsibilities are clearly defined in the Board Charter including ensuring that the policies spelt out by the Board in the Company's overall corporate strategy are implemented.<br><br>The GMD/CEO is the head of Management assigned with the responsibility of running the Company to achieve its strategic objectives for sustainable corporate performance.<br><br>The GMD/CEO is equipped with a broad understanding of the Company's business and demonstrates entrepreneurial skills, credibility and integrity earning the confidence of the Board and management. |

## Corporate Governance Report continued

| PARTICULARS | REMARKS |
|---|---|
| Principle 5 - Executive Directors | The Executive Director's roles and responsibilities are clearly defined in the Board Charter including proper implementation and achievement of the Company's strategic imperatives, as well as prudent management of the Company's finances and other resources. |
| Principle 6 - Non Executive Director (NED) | The Non-Executive Directors (NED)'s roles and responsibilities are clearly defined in the Board Charter including constructive contribution to the development of the Company's strategy. |
| Principle 7 - Independent Non - Executive Directors (NED) | The Independent Non-Executive Directors (NED)'s roles and responsibilities are clearly defined in the Board Charter including being independent in character and judgment and accordingly being free from such relationships or circumstances with the Company, its management, or substantial shareholders as may, or appear to, impair their ability to make independent judgement.<br><br>The Independent Non-Executive Directors represent a strong independent voice on the Board and bring a high degree of objectivity to the Board for sustaining stakeholder trust and confidence. |
| Principle 8 - Company Secretary | The Company Secretary functionally reports to the Board through the Chairman and administratively reports to the GMD/CEO.<br><br>The Company Secretary is the Secretary of the Board and guides the Board in its duties and responsibilities and other matters of governance. |
| Principle 9 - Access to Independent Advice | The Board ensures members obtain external advice, as may be required, at the Company's expense and invite senior management to provide technical advice as needed. |
| Principle 10 - Meetings of the Board | The meetings of the Board of Directors are organized optimally to ensure a seamless review of the business of the Board and in fulfilling the strategic objectives of the Company.<br><br>To effectively perform its oversight function and monitor management's performance, the Board shall meet at least once every quarter.<br><br>Every Director shall endeavour to attend all Board meetings. The attendance record of Directors shall be among the criteria for the re-election of a Director.<br><br>Minutes of meetings of the Board and its committees, as a record of what transpired at those meetings are prepared and sent timeously to Directors. |

| PARTICULARS | REMARKS |
|---|---|
| Principle 11 - Board Committees | The Board Committees are structured to ensure the efficiency and effectiveness of the Board.<br><br>The Board discharges its responsibilities through Board Committees appointed from amongst its members subject to the applicable laws. The Board has established the following committees:<br>Ø Board Audit and Risk Management Committee<br>Ø Board Remuneration and Governance Committee<br>Ø Board Local Content Committee |
| Principle 12 - Appointment to the Board | Key parameters considered for effective appointment to the Board include:<br>Ø Integrity, reputation and commitment.<br>Ø Familiarity with the commercial and economic environment.<br>Ø Regional balancing.<br>Ø Good network in FMN areas of business |
| Principle 13 - Induction and Continuing Education | Effective formal induction and training plans are in place for the Board. Important corporate documents on the Company's profile, history, core values and general business direction are made available to new directors during the induction process.<br><br>The Board of Directors has an approved annual training plan designed in line with the identified training needs and suggestions of its members. |
| Principle 14 - Board Evaluation | During the current year ended 31st March 2023, the Company carried out a rigorous self-evaluation of its Board of Directors. |
| Principle 15 - Corporate Governance Evaluation | During the current year ended 31st March 2023, the company carried out a rigorous self- evaluation of its corporate governance. |
| Principle 16 - Remuneration Governance | There is a Board approved Director's remuneration policy which is regularly reviewed. The remuneration for the Directors shall be tabled for approval by Shareholders at this Annual General meeting.<br><br>The applicable allowances paid by the Company to Non-executive Directors include: Director's Fee- N3,000,000 and Sitting Allowance - N500,000. |
| Principle 17 - Risk Management | The Company has a robust Risk Assessment and Management framework and systems in place. The Company's Risk Management Policy is available through the link provided under the Risk Management item of this Corporate Governance Report. |
| Principle 18 - Internal Audit | The Company has an effective Internal Audit function carried out by its Business Assurance Department and is regularly assessed by an Independent Business Advisory/Assurance firm on the effectiveness of its functions. |

## Corporate Governance Report continued

| PARTICULARS | REMARKS |
|---|---|
| Principle 19 - Whistleblowing | The Company has an effective and anonymously maintained whistleblowing system that encourages staff and other stakeholders to effectively communicate information helpful in enforcing good corporate governance practices. |
| Principle 20 - External Audit | The Company's external professional audit partners are rotated regularly to ensure independence. |
| Principle 21 - General Meetings | The Company's general meetings are held in line with regulatory requirements and every calendar year, an Annual General Meeting is held in compliance with corporate governance requirements on the issuance of notice of meeting and orderly conduct of all deliberations thereat. |
| Principle 22 - Shareholder engagement | The Board has a stakeholder-inclusive approach and is responsible for giving due consideration to the legitimate interests and expectations of the Company's stakeholders in its deliberations, decisions and actions. |
| Principle 23 - Protection of Shareholder rights | The Board recognizes, respects and protects the rights of shareholders and ensures equitable treatment of all shareholders in the same class of issued shares whether minority, institutional or foreign.<br><br>The Board ensures that adequate and timely information is provided to Shareholders on the Company's affairs. |
| Principle 24 - Business Conduct and Ethics | Management continues to monitor compliance with the Group's Code of Conduct and presents regular reports to the Board on same. |
| Principle 25 - Ethical Culture | The Company has established policies and mechanisms for monitoring insider trading, conflict of interest and related party transactions. |
| Principle 26 - Sustainability | The Board has approved its Sustainability Policy and the Company recently issued its second Sustainability Report within the year under review. |
| Principle 27 - Stakeholder Communication | The Company has an effective Investor Relations Management team and an Investor relations page hosted on its website - www.fmnplc.com for updated information about its operations. |
| Principle 28 - Disclosures | The Company has in place an effective system to ensure that due disclosures are made timeously about its operations. |

Principles 14.1 & 15.1 of the Code of Corporate Governance 2018 provide that the Board should ensure annual Board and Corporate Governance Evaluations are carried out. The evaluation shall be facilitated by an independent external consultant at least once every three years.

The Board established a system to undertake a formal and effective annual evaluation of its performance and that of its Committees, the Chairman and the individual directors.

The Institute of Corporate Secretaries and Administrators of Nigeria (ICSAN) was engaged as external Consultants to carry out the Board Evaluation and Corporate Governance audit of the Company for the year ended 31 March 2021. For the current year ended 31 March 2023, the Company carried out a rigorous self-evaluation of its board and corporate governance.

Based on the self-evaluation exercise, the Board of FMN demonstrated a good understanding of and complied with the responsibilities as provided in the SEC Code of Corporate Governance and the Nigerian Code of Corporate Governance 2018 during the year ended 31 March 2023.

## 12. THE CORPORATE GOVERNANCE RATING SYSTEM CERTIFICATION

Flour Mills of Nigeria Plc is one of the Corporate Governance Rating System (CGRS) certified listed companies in Nigeria after being duly certified and accorded the CGRS certification mark with effect from March 2022 with a three-year validity period.

Flour Mills of Nigeria Plc is pleased to announce its CGRS recertification effective 15 March 2022 and valid till 14 March 2025.

## 13. REPORT ON COMPLIANCE WITH THE NIGERIAN CODE OF CORPORATE GOVERNANCE 2018

The Company confirms its compliance with the principles in the Nigerian Code of Corporate Governance 2018 (NCCG 2018). The Company's full report on compliance with the Nigerian Code of Corporate Governance 2018 for the year ended 31 March 2023 is available on the Company's website and can be accessed through the link herein – www.fmnplc.com.General Information

## 14. CONFIRMATION OF REGULATORY COMPLIANCE – DISCLOSURES

The Company confirms its compliance with all regulatory and reporting guidelines, principles and standards and is pleased to report that no non-conformities were recorded during the year under review.

However, a 60-day delay in the filing of 2022/2023 audited financial statements and first quarter 2023/2024 unaudited accounts occurred as a result of the need to clarify the treatment of some third-party consultants' tax liabilities. This occasioned a penalty of N9m which had been fully settled.

## 15. MANAGEMENT COMMITTEE

The day-to-day management of the business is the responsibility of the Group Managing Director/ Chief Executive Officer who is assisted by a Management Committee made up of Heads of Departments in the Company.

The core of the Management Committee, the "ExCo" holds weekly meetings to deliberate on critical issues affecting the organization and the strategic positioning of the business.

The composition of the Management Committee is as set out below:

- Omoboyede Olusanya - Group Managing Director/Chief Executive Officer
- Anders Kristiansson - Group Chief Finance Officer
- Devlin Hainsworth - Managing Director, Foods Division
- Stoney Su - Managing Director, Agro Allied Division
- Raffoul Nassib - Managing Director, Honeywell Flour Mills Plc
- Wale Adediran - Group Human Resources and Services Director
- Cephas Afebuameh - Group Director, Supply Chain

## Corporate Governance Report continued

- Sadiq Usman - Group Director, Strategy and Stakeholders Relations
- Bola Adeeko – Director, Special Projects.
- Joseph Umolu - Company Secretary/Group Director, Legal Services

### 16. HUMAN RESOURCES POLICIES AND OTHER RELATED MATTERS

The Company recognizes that its people are very valuable assets. Consequently, the human resources policies of the Company are to ensure that the Company continues to place premium on its human capital development arising from the fact that this would ensure improved efficiency of the business and maintain a strategic advantage over competition.

Within the last financial year, the business maintained strict adherence to all COVID-19 protocols providing effective health advisory and interventions including staff vaccination arrangements while consolidating our Employee Assistance Program to promote employee general health and wellbeing.

The Management holds periodic meetings with the employees in order to brief them on business related issues and exchange ideas that are beneficial. In addition, Management communicates corporate issues to employees regularly through internal communication circulars and newsletters – "Golden Penny News".

### 17. SUSTAINABILITY POLICIES AND ENVIRONMENTAL PROTECTION INITIATIVES

FMN is aware that sustainability is a journey, as such, our long-term strategy is inspired by the need for continuous capacity expansion, an enhanced route to market capability, the innovation of products of superior quality and the realignment of our core food business. To ensure our process remains sustainable in the long run, the Company continues to backwardly integrate to mitigate further reliance on imports and exposure to external volatility in the food business. The need to create value in the supply chain and reduce dependence on imported raw materials is a strategic imperative that the Company is committed to achieving. As an environmentally responsible organization, FMN has adopted more energy-efficient technologies across our factories and plants by fostering innovations and implementing creative solutions. In our mills, the Company has introduced newer and more innovative technologies to reduce our carbon footprint. The business has also adopted more climate-friendly designs that feature low noise pollution and dust extraction monitoring systems, whilst adopting a production process with minimal impact on our environment. As expected, our process and impact assessment at FMN is designed to be as retrospective as it is prospective. FMN will continue to put first our responsibility to our Planet, its People and our Returns.

### 18. INTERNAL AUDIT, RISK MANAGEMENT AND COMPLIANCE

Internal Audit Function is a key line of defence for FMN Group which is central to our overall integrated assurance framework and governance processes. Internal Audit provides reasonable confidence to the Board, the Statutory Audit Committee and Management that there are sound internal controls over all aspects of the Group's operations, including Statutory Compliance, Accounting and Asset Management.

To ensure the independence of this important function, Internal Audit reports directly to the Statutory Audit Committee quarterly and is supervised by the Board Audit and Risk Committee.

Risk Management and Compliance initiatives are instituted and embedded in the assurance processes and support the Yearly Audit Plans in pro-active determination and recommendations for mitigation of the emerging risks faced by the FMN Group.

### 19. ETHICS AND CODE OF BUSINESS CONDUCT

FMN is committed to a high standard of ethical conduct and adopts a zero-tolerance approach to fraud and corruption. The Company has put in place an Ethics Programme which comprises a Code of Conduct Policy inclusive of regular training and declarations.

The Code of Business Conduct applies to all internal and external stakeholders, including the Directors, Management, other employees and third parties. It ensures that all directors, officers and employees conduct business with integrity.

## 20. WHISTLE-BLOWING

FMN has established a culture where every stakeholder feels comfortable raising concerns about potential and actual breaches of our Code of Business Conduct or policies.
The Company's code of conduct encourages and provides a channel for stakeholders, including employees, to report possible improprieties and unethical practices in good faith and confidence, without fear of reprisals or concerns.
To ensure that all incidents that are reported are adequately brought to the notice of the stakeholders concerned as well as to initiate corrective action, a reporting structure is provided in detail in the Code of Conduct. A simple communication channel to allow anonymous reporting of any fraud, misappropriation, improprieties, or unethical practices is set out in the Code of Conduct. A breach may be reported through our dedicated e-mail address (codeofconduct@fmnplc.com).

The whistleblowing mechanism is reliable, accessible and guarantees anonymity and protection of the whistleblower. To safeguard the whistle-blower from retaliation, should employees suspect that they are being targeted or have actions taken against them in retaliation for raising a compliance or an integrity issue, they should immediately report such suspicions using the communication channels provided in the Code of Conduct.

## 21. SECURITIES TRADING POLICY

In line with relevant legal and regulatory provisions, the Board approved and has in place a Securities Trading Policy ("The Policy") which prescribes a code of behaviour by Directors and senior employees, as well as those in possession of or who may come in contact with market-sensitive information relating to the Company (referred to as "Insiders").

Insiders are prohibited from dealing in the Company's securities during closed periods and are mandated in appropriate cases to notify and obtain consent to deal from appropriate senior executives of the Company. The Company Secretary, who is the designated Administrator of the Policy is tasked with ensuring adherence to the provisions of the Policy and regularly issues Closed Period Notifications to Directors, employees and other relevant persons under the Policy.

During the financial year under review, the Directors and employees of the company complied with the Nigerian Exchange Limited's Rules relating to securities transactions and the provisions of the Securities Trading Policy.

## 22. COMPLAINTS MANAGEMENT POLICY

In line with the Securities and Exchange Commission (SEC) Rules relating to the Complaints Management Framework of the Nigerian Capital Market, FMN has established and maintained a clearly defined Complaints Management Policy to handle and resolve complaints within the purview of the Framework.

The framework as established by FMN involves the maintenance of an electronic complaint register by the Registrars.

Policy is available on the company's website and can be accessed through the link herein – www.fmnplc.com
The electronic complaints register is updated daily by the Registrars with complaints received from shareholders. Steps taken towards the resolution of the matter(s) and the duration of communicating to the Shareholders are also maintained on the Register. Returns on Complaints management are sent by the Registrars on quarterly basis to SEC.

JOSEPH O. UMOLU
COMPANY SECRETARY
FRC/2013/NBA/00000003687
1 Golden Penny Place,
Wharf Road, Apapa.
Lagos, Nigeria.
28 August 2023

# Statement of Directors' responsibilities in relation to the Consolidated and Separate Financial Statements

## FOR THE YEAR ENDED 31 MARCH 2023

The Directors accept responsibility for the preparation of the Consolidated and Separate financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in a manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Omoboyede O. Olusanya
Group Managing Director/CEO
FRC/2017/IODN/00000017634
28 August 2023

Alhaji Yunus O. A. Saliu
Director
FRC/2013/ICAN/00000003595
28 August 2023

# Statement of Corporate Responsibility for the Consolidated and Separate Financial Statements

## FOR THE YEAR ENDED 31 MARCH 2023

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Group Managing Director/CEO and Group Chief Financial Officer, hereby certify the consolidated and separate financial statements of Flour Mills of Nigeria Plc for the year ended 31 March 2023 as follows:

(a) That we have reviewed the audited financial statements of the Group and Company for the year ended 31 March 2023.

(b) That the consolidated and separate financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

(c) That the consolidated and separate financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Group and Company as of and for, the year ended 31 March 2023.

(d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Group and Company is made known to us by other officers of the Group and Company, during the year end 31 March 2023.

(e) That we have disclosed the following information to the Group and Company's Auditors and Audit Committee:

(i) there are no material deficiencies in the design or operation of internal controls which could adversely affect the Group and Company's ability to record, process, summarise and report financial data, and have identified for the Group and Company's auditors any significant weaknesses in internal controls, and,

(ii) there is no fraud that involves management or other employees who have a significant role in the Group and Company's internal control.

Mr. Omoboyede O. Olusanya
Group Managing Director/CEO
FRC/2017/IODN/00000017634
28 August 2023

Mr. Anders Kristiansson
Group Chief Finance Officer
FRC/2014/ANAN/00000009819
28 August 2023

# AUDIT COMMITTEE REPORT

## TO MEMBERS OF FLOUR MILLS OF NIGERIA PLC FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2023

In compliance with section 404 (4) & (7) of the Companies and Allied Matters Act, 2020, the Audit Committee received the Audited Financial Statements for the year ended 31st March 2023 together with the Management letter from the External Auditors and management response thereto at the duly convened meeting of the Committee.

We reviewed the scope and planning of the audit requirements and found them adequate.

After due consideration the Committee accepted the Report of the External Auditors that the financial statements give a true and fair view of the state of the Company's financial affairs as at 31st March 2023 having been prepared in accordance with International Financial Reporting Standards (IFRS). The Committee reviewed Management's response to the External Auditors findings in the Management letter and we are satisfied with Management responses.

The Committee considered and approved the provision made in the Financial Statements for the remuneration of the External Auditors.

We confirm that the internal control system was constantly and effectively monitored through effective internal audit function.

The External Auditors confirmed that they received full cooperation from Management in the course of their statutory audit.

The Committee therefore recommended that the Audited Financial Statements for the year ended 31st March 2023 and the External Auditors' Report thereon be presented for adoption at this Annual General Meeting.

Dated 14th August, 2023

MR. OLALEKAN OLADEPO ADESINA
FRC NO.: FRC/2013/NIM/00000003678
CHAIRMAN, AUDIT COMMITTEE

Other Members of the Audit Committee:

Mr. Shekoni N. Adebayo

Mr. Adeshina T. Imran

Mr. Foluso O. Phillips

Alhaji Yunus O. A. Saliu


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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flour Mills of Nigeria Plc

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of Flour Mills of Nigeria Plc ("the Company") and its subsidiaries (together, "the Group"), which comprise:

- the consolidated and separate statements of financial position as at 31 March 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income;
- the consolidated and separate statements of changes in equity;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 March 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 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 Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **1. Revenue recognition** | |
|---|---|
| Refer to significant accounting policies (Note 2.3) and Revenue (Note 5) in the consolidated and separate financial statements | |
| **Key Audit Matter** | **How the matter was addressed in our audit** |
| The Group is diversified and earns revenue from a wide range of activities with varying revenue recognition criteria. This requires a careful assessment of the appropriateness and timing of revenue recognition in accordance with the requirements of the relevant accounting standards.<br><br>Furthermore, revenue is most significant as it impacts the majority of the key performance indicators on which the Company and the Group are assessed. Thus, there is potential incentive for manipulation of revenue to meet targets or expectations.<br><br>These factors make revenue an area of significance in our audit of the Group and the Company. | The following audit procedures were performed among others:<br><br>• We assessed the design, implementation and operating effectiveness of key controls over three-way match, price change approvals and customer credit limits.<br><br>• We tested compliance with the relevant accounting standards including assessment of the appropriateness of the allocation of revenue to multiple performance obligations (where applicable) by inspecting contractual agreements on a sample basis to determine the appropriateness and timing of revenue recognition.<br><br>• We recomputed revenue based on the sales quantities and approved selling prices and compared to revenue recorded by the Group and Company.<br><br>• We tested the intra-group transactions and assessed that they were appropriately reconciled and eliminated in preparing the consolidated financial statements.<br><br>• We selected a sample of discounts and rebates granted to customers and inspected relevant underlying documentation to assess if they were appropriately computed and accounted for in the relevant financial period.<br><br>• We assessed the inclusion of revenue transactions in the appropriate period by inspecting revenue earned both during and subsequent to year end using specific criteria such as period covered. |

| **2. Impairment of investment in subsidiaries** | |
|---|---|
| Refer to significant accounting policies on (Notes 2.2 & 2.13) and Investment in subsidiaries (Note 22) in the separate financial statements. | |
| **Key Audit Matter** | **How the matter was addressed in our audit** |
| The carrying amount of the Company's investment in subsidiaries is significant. Some of these subsidiaries are currently loss making and a number of them are dependent on financial support, mostly in form of loans and advances from the parent company for their ongoing operations.<br><br>Judgment is required in estimating the | The following audit procedures were performed among others:<br>• We held discussions with the management to understand their future plans for the subsidiaries.<br><br>• We assessed the reasonableness of the Company's forecasts by comparing them with historical performance. |

| | |
|---|---|
| recoverable amounts of the investments in subsidiaries.<br><br>The estimation of recoverable amounts is complex and involves making assumptions regarding the future performance of the businesses, inherent uncertainty involved in preparing forecasts/ future cash flow projections and determining an appropriate discount rate.<br><br>The significance of the amounts involved, judgement required and the uncertainties inherent in estimating the recoverable amounts makes this a significant matter in our audit. | • We used our own valuation specialist to test the reasonableness of the discount rates, long term growth rates and the methodology applied by the Company to estimate the value in use.<br><br>• We considered the adequacy of the disclosures in the separate financial statements and compared with the requirements of the relevant accounting standards. |
| **3. Business Combination** | |
| Refer to significant accounting policies (Notes 2.2), business combination (Note 23) in the consolidated and separate financial statements. | |
| **Key Audit Matter** | **How the matter was addressed in our audit** |
| Following regulatory and shareholders' approval, the Company entered into a business combination transaction through effective acquisition of 77.75% of Honeywell Flour Mills Plc in the year.<br><br>We focused on this area due to the material impact on the Group's financial position and the complexities involved in accounting for the acquisition including the evaluation of the gain on bargain purchase on acquisition as well as the nature of disclosures required in the separate and consolidated financial statements. In addition, there are significant regulatory considerations involved. | The following audit procedures were performed among others:<br>• We held inquiries with the man agement to understand the process and procedures for accounting for business combination.<br><br>• We assessed the design and implementation of the controls around the accounting for business combination.<br>• We inspected evidence of approval of the acquisition by the board of directors, shareholders and relevant regulatory authorities.<br>• We inspected the share purchase agreement and other contracts supporting the purchase of the third-party business.<br>• We evaluated the appropriateness of the accounting for the business combination by checking the accounting policy for consistency with relevant accounting standards.<br>• We evaluated the accuracy and consistency of the measurement and recognition of the business combination arrangement in the consolidated financial statements.<br>• We obtained the purchase price allocation and valuation reports provided by management and challenged management's assumptions and judgment used in the valuation of the brands and intangibles by comparing to publicly available information and our knowledge of the Group and experience of the industry.<br>• We evaluated the adequacy and relevance of the presentation and disclosures in the financial |

| | |
|---|---|
| | statements in accordance with the relevant accounting standards. |
| **4. Accounting for payment to statutory agency following agreements reached** | |
| Refer to significant accounting policies (Notes 2.25), Statutory Assessment (Note 16) in the consolidated and separate financial statements. | |
| **Key Audit Matter** | **How the matter was addressed in our audit** |
| During the year, the Company was subject to a review by a statutory agency. During the review, the Company made a payment of N31.3 billion to the Federal Government (the payments). Upon conclusion, subsequent to year end, it was agreed by the parties that the payments will ultimately be treated as a prepayment against current and future taxes.<br><br>We focused on this area due to the nature and significance of the amounts involved. | The following audit procedures were performed among others:<br>● We held inquiries with management to understand the processes and procedures for accounting for the payments.<br>● We assessed the design and implementation of the controls around the accounting for the payments.<br>● We inspected evidence of approval of the payments by the board of directors and senior management team.<br>● We obtained and read the executed agreement with the statutory agency and other relevant documents supporting the payments.<br>● We evaluated the appropriateness of the accounting for the payments by checking the accounting policy and treatment for consistency with the relevant accounting standards.<br>● We evaluated the adequacy of the presentation and disclosures in the financial statements in accordance with the relevant accounting standards. |

**Other Information**

The Directors are responsible for the other information. The other information comprises the Mission & Vision Statement, Board of Directors, Officers and Other Corporate Information, Group Performance Highlight, Report of the Directors, Corporate Governance Report, Statement of Directors' Responsibilities in Relation to the Consolidated and Separate Financial Statements, Statement of Corporate Responsibility for the Consolidated and Separate Financial Statements, Audit Committee Report, Other National Disclosures which we obtained prior to the date of this auditor's report, but does not include the consolidated and separate financial statements and our audit report thereon. Other information also includes the Chairman's statement, shareholders' information amongst others together the "outstanding reports", which are expected to be made available to us after this date.

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

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**
The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and 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 consolidated and separate 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 Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial tatements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit Committee 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, actions taken to eliminate threats or safeguards applied.

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

**Report on Other Legal and Regulatory Requirements**

*Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.*

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 appears from our examination of those books.

iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

**Goodluck C. Obi, FCA**
*FRC/2012/ICAN/00000000442*
For: KPMG Professional Services
Chartered Accountants
29 August 2023
Lagos, Nigeria


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Easy to mould
Easy to swallow
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Premium Quality

# Financial Statement

## Consolidated and Separate Statements of Financial Position

AS AT 31 MARCH

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 ₦'000 | 2022 ₦'000 | 2023 ₦'000 | 2022 ₦'000 |
| **ASSETS** | | | | | |
| Property, plant and equipment | 18 | 340,804,379 | 226,840,392 | 122,019,533 | 100,300,597 |
| Investment property | 19 | 1,322,333 | 1,427,443 | 50,680 | 52,735 |
| Biological assets | 25 | 54,498 | 73,474 | - | - |
| Right-of-use assets | 41 | 15,501,196 | 15,720,081 | 2,709,056 | 2,692,372 |
| Goodwill | 21 | 4,148,022 | 4,148,022 | 1,876,816 | 1,876,816 |
| Intangible assets | 20 | 13,705,232 | 369,182 | 61,775 | 296,022 |
| Investments in subsidiaries | 22 | - | - | 85,164,727 | 45,755,534 |
| Long term loans and receivables | 26 | 43,534 | 37,551 | 20,853,541 | 69,962,336 |
| Other investments | 24 | 47,260 | 34,000 | 47,260 | 34,000 |
| Deferred tax asset | 15 | 11,484,351 | 6,245,238 | - | - |
| **Total non-current assets** | | **387,110,805** | **254,895,383** | **232,783,388** | **220,970,412** |
| Biological assets | 25 | 666,274 | 757,085 | - | - |
| Inventories | 27 | 336,374,640 | 284,462,821 | 151,925,626 | 155,480,370 |
| Trade and other receivables | 28 | 47,469,558 | 39,900,930 | 97,817,112 | 43,782,434 |
| Derivative assets | 29 | - | 84,480 | - | 84,480 |
| Prepayments | 30 | 228,073,084 | 55,289,689 | 169,592,143 | 47,025,998 |
| Cash and cash equivalents | 31 | 97,702,029 | 31,621,421 | 67,167,053 | 20,273,882 |
| **Total current assets** | | **710,285,585** | **412,116,426** | **486,501,934** | **266,647,164** |
| **Total assets** | | **1,097,396,390** | **667,011,809** | **719,285,322** | **487,617,576** |

*The accompanying notes and significant accounting policies form an integral part of these consolidated and separate financial statements.*

## Consolidated and Separate Statements of Financial Position (Cont'd)

AS AT 31 MARCH

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 ₦'000 | 2022 ₦'000 | 2023 ₦'000 | 2022 ₦'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 33 | 2,050,197 | 2,050,197 | 2,050,197 | 2,050,197 |
| Share premium | 33 | 75,377,444 | 75,377,444 | 75,377,444 | 75,377,444 |
| Fair value reserve | | (88,196) | (101,456) | (88,196) | (101,456) |
| Hedging reserve | 46 | - | (1,281,434) | - | (1,281,434) |
| Retained earnings | | 132,667,941 | 111,101,724 | 104,481,082 | 98,619,096 |
| **Equity attributable to owners of the company** | | **210,007,386** | **187,146,475** | **181,820,527** | **174,663,847** |
| **Non-controlling interests** | 22 | 15,217,501 | 8,758,216 | - | - |
| **Total equity** | | **225,224,887** | **195,904,691** | **181,820,527** | **174,663,847** |
| **Liabilities** | | | | | |
| Borrowings | 34 | 210,240,706 | 114,810,880 | 64,608,656 | 70,976,427 |
| Lease liabilities | 42 | 15,722,575 | 17,654,283 | 427,938 | 590,079 |
| Retirement benefit obligation | 35 | 11,205,123 | 10,268,526 | 8,418,371 | 7,815,524 |
| Deferred income | 37 | 27,362,183 | 16,173,241 | 2,529,289 | 3,807,687 |
| Deferred tax liabilities | 15 | 19,489,454 | 15,022,760 | 14,582,143 | 14,217,140 |
| Long service award | 36 | 4,060,137 | 3,591,011 | 2,998,181 | 2,926,253 |
| **Total non current liabilities** | | **288,080,178** | **177,520,701** | **93,564,578** | **100,333,110** |
| Bank overdraft | 31 | 32,806,764 | 9,937,833 | 20,191,541 | 4,563,004 |
| Current tax payable | 14 | 28,862,614 | 14,411,961 | 18,242,070 | 7,250,478 |
| Trade and other payables | 38 | 320,649,144 | 194,591,771 | 244,339,315 | 155,202,371 |
| Borrowings | 34 | 139,450,591 | 34,016,762 | 127,557,304 | 19,622,399 |
| Lease liabilities | 42 | 1,952,565 | - | - | - |
| Deferred income | 37 | 9,153,955 | 7,645,503 | 1,224,144 | 2,355,474 |
| Derivative liabilities | 29 | 2,942,620 | 1,898,421 | 2,088,559 | 1,898,421 |
| Dividend payable | 39 | 516,502 | 2,804,900 | 516,502 | 2,804,900 |
| Contract liabilities | 40 | 47,756,569 | 28,279,266 | 29,740,782 | 18,923,572 |
| **Total current liabilities** | | **584,091,324** | **293,586,417** | **443,900,217** | **212,620,619** |
| **Total liabilities** | | **872,171,502** | **471,107,118** | **537,464,795** | **312,953,729** |
| **Total equity and liabilities** | | **1,097,396,390** | **667,011,809** | **719,285,322** | **487,617,576** |

These consolidated and separate financial statements were approved by the Board of Directors on 28 August 2023 and signed on its behalf by:

| | | |
|---|---|---|
| Mr. Omoboyede O. Olusanya | Alhaji Yunus O. A. Saliu | Mr. Anders Kristiansson |
| Group Managing Director/CEO | Director | Group Chief Finance Officer |
| FRC/2017/IODN/00000017634 | FRC/2013/ICAN/00000003595 | FRC/2014/ANAN/00000009819 |

The accompanying notes and significant accounting policies form an integral part of these consolidated and separate financial statements

## Consolidated and separate statements of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 MARCH

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Notes** | **2023 ₦'000** | **2022 ₦'000** | **2023 ₦'000** | **2022 ₦'000** |
| Revenue | 5 | 1,539,654,788 | 1,163,802,851 | 923,015,713 | 832,810,561 |
| Cost of sales | 6 | (1,362,551,941) | (1,055,712,728) | (795,330,687) | (768,739,096) |
| **Gross profit** | | **177,102,847** | **108,090,123** | **127,685,026** | **64,071,465** |
| Net operating losses | 8 | (21,821,784) | (135,885) | (44,638,904) | (4,617,901) |
| Impairment (loss)/ writeback on trade and intercompany receivables | 28 | (1,509,508) | 415,208 | 76,816 | 3,132,300 |
| Selling and distribution expenses | 9 | (15,479,921) | (11,080,165) | (10,869,932) | (9,250,950) |
| Administrative expenses | 10 | (40,531,410) | (31,775,930) | (23,964,300) | (21,168,998) |
| **Operating profit** | | **97,760,224** | **65,513,351** | **48,288,706** | **32,165,916** |
| Finance income | 12 | 717,611 | 1,086,420 | 13,178,025 | 12,778,485 |
| Finance costs | 13 | (55,725,721) | (25,481,623) | (29,213,926) | (15,195,572) |
| **Profit before minimum taxation** | | **42,752,114** | **41,118,148** | **32,252,805** | **29,748,829** |
| Minimum tax | 14 | (2,969,506) | (1,902,530) | - | - |
| Profit before taxation | | **39,782,608** | **39,215,618** | **32,252,805** | **29,748,829** |
| Income tax expenses | | (10,278,323) | (11,200,392) | (18,078,901) | (7,929,013) |
| **Profit for the year** | | **29,504,285** | **28,015,226** | **14,173,904** | **21,819,816** |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Remeasurements of defined benefit liability | | 952,003 | 1,839,888 | 736,258 | 1,380,216 |
| Related tax | 15 | (309,401) | (597,964) | (239,284) | (448,570) |
| | | **642,602** | **1,241,924** | **496,974** | **931,646** |
| Equity investments at FVOCI - net change in fair value | | 13,260 | 6,460 | 13,260 | 6,460 |
| *Items that may be reclassified to profit or loss* | | | | | |
| Cashflow hedges - effective portion of changes in fair value | | 1,898,421 | (1,898,421) | 1,898,421 | (1,898,421) |
| Related tax | | (616,987) | 616,987 | (616,987) | 616,987 |
| | | **1,281,434** | **(1,281,434)** | **1,281,434** | **(1,281,434)** |
| **Other comprehensive income for the year net of tax** | | **1,937,296** | **(33,050)** | **1,791,668** | **(343,328)** |
| **Total comprehensive income for the year net of tax** | | **31,441,581** | **27,982,176** | **15,965,572** | **21,476,488** |
| **Profit attributable to** | | | | | |
| Owners of the parent | | 29,732,507 | 25,676,035 | 14,173,904 | 21,819,816 |
| Non-controlling interests | 21 | (228,222) | 2,339,192 | - | - |
| | | **29,504,285** | **28,015,227** | **14,173,904** | **21,819,816** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 31,669,803 | 25,612,511 | 15,965,572 | 21,476,488 |
| Non-controlling interest | 22 | (228,222) | 2,369,665 | - | - |
| | | **31,441,581** | **27,982,176** | **15,965,572** | **21,476,488** |
| **Earnings per share** | | | | | |
| **Per share information** | | | | | |
| Basic earnings per share (kobo) | 17 | 725 | 626 | 346 | 532 |
| Diluted earnings per share (kobo) | 17 | 725 | 626 | 346 | 532 |

The accompanying notes and significant accounting policies form an integral part of these consolidated and separate financial statements

## Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2023

| | Share capital | Share Premium | Fair Value Reserve | Hedging reserve | Retained earnings | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | ₦ '000 | ₦ '000 | ₦ '000 | ₦'000 | ₦ '000 | ₦'000 | ₦'000 | N'000 |
| **Group** | | | | | | | | |
| Balance at 1 April 2021 | **2,050,197** | **75,377,444** | **(107,916)** | **-** | **90,905,674** | **168,225,399** | **6,388,551** | **174,613,950** |
| **Total comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | 25,676,035 | 25,676,035 | 2,339,191 | 28,015,226 |
| Other comprehensive income, net of tax | - | - | 6,460 | (1,281,434) | 1,211,450 | (63,524) | 30,474 | (33,050) |
| **Total comprehensive income for the year** | **-** | **-** | **6,460** | **(1,281,434)** | **26,887,485** | **25,612,511** | **2,369,665** | **27,982,176** |
| **Transactions with owners recorded directly in equity** | | | | | | | | |
| Dividends declared (Note 39) | - | - | - | - | (6,765,653) | (6,765,653) | - | (6,765,653) |
| Write-back of unclaimed dividends (Note 39) | - | - | - | - | 74,218 | 74,218 | - | 74,218 |
| **Total transactions with owners of the company recognized directly in equity** | - | - | - | - | (6,691,435) | (6,691,435) | - | (6,691,435) |
| **Balance at 31 March2022** | **2,050,197** | **75,377,444** | **(101,456)** | **(1,281,434)** | **111,101,724** | **187,146,475** | **8,758,215** | **195,904,691** |
| Balance at April 1 April 2022 | **2,050,197** | **75,377,444** | **(101,456)** | **(1,281,434)** | **111,101,724** | **187,146,475** | **8,758,215** | **195,904,691** |
| **Total comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | 29,732,507 | 29,732,507 | (228,222) | 29,504,285 |
| Other comprehensive income, net of tax | - | - | 13,260 | 1,281,434 | 642,602 | 1,937,296 | - | 1,937,296 |
| **Total comprehensive income for the year** | **-** | **-** | **13,260** | **1,281,434** | **30,375,109** | **31,669,803** | **(228,222)** | **31,441,581** |
| **Transactions with owners recorded directly to equity** | | | | | | | | |
| Dividends declared (Note 39) | - | - | - | - | (8,815,850) | (8,815,850) | - | (8,815,850) |
| Write-back of unclaimed dividends (Note 39) | - | - | - | - | 6,958 | 6,958 | - | 6,958 |
| **Total transactions with owners of the company recognized directly in equity** | - | - | - | - | (8,808,892) | (8,808,892) | - | (8,808,892) |
| **Changes in ownership interests** | | | | | | | | |
| Acquisition of subsidiary with NCI (Note 22) | - | - | - | - | - | - | 6,687,508 | 6,687,508 |
| | - | - | - | - | - | - | 6,687,508 | 6,687,508 |
| **Balance at 31 March 2023** | **2,050,197** | **75,377,444** | **(88,196)** | **-** | **132,667,941** | **210,007,386** | **15,217,501** | **225,224,887** |

The accompanying notes and significant accounting policies form an integral part of these consolidated and separate financial statements

## Separate statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2023

| | Share capital | Share Premium | Fair Value Reserve | Hedging Reserve | Retained earnings | Total attributable to equity holders of the | Total equity |
|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Company | | | | | | | |
| Balance at 1 April 2021 | 2,050,197 | 75,377,444 | (107,916) | - | 82,559,069 | 159,878,794 | 159,878,794 |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | - | 21,819,816 | 21,819,816 | 21,819,816 |
| Other comprehensive income, net of tax | - | - | 6,460 | (1,281,434) | 931,646 | (343,328) | (343,328) |
| **Total comprehensive income for the year** | **-** | **-** | **6,460** | **(1,281,434)** | **22,751,462** | **21,476,488** | **21,476,488** |
| **Transactions with owners recorded directly in equity** | | | | | | | |
| Dividends declared (Note 39) | - | - | - | - | (6,765,653) | (6,765,653) | (6,765,653) |
| Write-back of unclaimed dividends (Note 39) | | | - | - | 74,218 | 74,218 | 74,218 |
| **Total transactions with owners of the company recognized directly in equity** | - | - | - | - | (6,691,435) | (6,691,435) | (6,691,435) |
| **Balance at 31 March 2022** | **2,050,197** | **75,377,444** | **(101,456)** | **(1,281,434)** | **98,619,096** | **174,663,847** | **174,663,847** |
| Balance at 1 April 2022 | 2,050,197 | 75,377,444 | (101,456) | (1,281,434) | 98,619,096 | 174,663,847 | 174,663,847 |
| Total comprehensive income | | | | | | | |
| Profit for the year | - | - | - | - | 14,173,904 | 14,173,904 | 14,173,904 |
| Other comprehensive income, net of tax | - | - | 13,260 | 1,281,434 | 496,974 | 1,791,668 | 1,791,668 |
| Total comprehensive income for the year | - | - | 13,260 | 1,281,434 | 14,670,878 | 15,965,572 | 15,965,572 |
| Transactions with owners recorded directly in equity | | | | | | | |
| Dividends declared (Note 39) | - | - | - | - | (8,815,850) | (8,815,850) | (8,815,850) |
| Write-back of unclaimed dividends (Note 39) | | | | | 6,958 | 6,958 | 6,958 |
| **Total transactions with owners of the company recognized directly in equity** | **-** | **-** | **-** | **-** | **(8,808,892)** | **(8,808,892)** | **(8,808,892)** |
| **Balance at 31 March 2023** | **2,050,197** | **75,377,444** | **(88,196)** | **-** | **104,481,082** | **181,820,527** | **181,820,527** |

## Consolidated and separate Statements of Cash Flows

FOR THE YEAR ENDED 31 MARCH

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 ₦'000 | 2022 ₦'000 | 2023 ₦'000 | 2022 ₦'000 |
| Cash flows from operating activities | | | | | |
| Cash generated/(used in) from operations | 32 | 110,949,401 | 49,719,610 | (9,150,642) | 2,084,184 |
| Income tax paid | 14 | (11,087,898) | (4,833,346) | (4,843,738) | (1,336,183) |
| Long service award benefit paid | 36 | (397,497) | (248,608) | (329,450) | (194,900) |
| Retirement benefit paid | 35 | (534,927) | (600,682) | (405,142) | (501,882) |
| Net cash generated from/(used in) operating activities | | 98,929,079 | 44,036,974 | (14,728,972) | 51,219 |
| Cash flows from investing activities | | | | | |
| Purchase of property plant and equipment | 18 | (147,584,004) | (40,652,521) | (37,477,184) | (23,815,114) |
| Proceeds from sale of property plant and equipment | | 9,212,641 | 123,852 | 350,907 | 104,101 |
| Acquisition of right-of-use assets | 41 | (1,868,784) | (1,097,291) | (436,745) | (402,024) |
| Addition and acquisition of intangible assets | 20 | (13,676,083) | - | - | - |
| Acquisition of subsidiary, net of cash acquired | 23 | (25,895,871) | - | - | - |
| Investment in subsidiary | 22 | - | - | (39,409,193) | (1,114,900) |
| Repayment of Quasi Equity | 22 | - | - | - | 17,591,695 |
| Loans repayments from related companies | 26 | 904 | 1,301 | 160,915,357 | 310,978,887 |
| Loans granted to related companies | 26 | (6,887) | - | (111,259,003) | (314,672,741) |
| Purchase of biological assets | 25 | (6,027,250) | (4,309,723) | - | - |
| Interest received | 12 | 693,715 | 1,086,420 | 4,154,129 | 6,656,485 |
| Dividends received | 12 | 23,896 | - | 9,023,896 | 6,122,000 |
| Net cash (used in)/generated from investing activities | | (185,127,723) | (44,847,962) | (14,137,836) | 1,448,389 |
| Cashflows from financing activities | | | | | |
| Proceeds from borrowings | 34 | 266,020,282 | 39,573,064 | 125,257,011 | 10,987,462 |
| Repayments of borrowings | 34 | (68,729,197) | (16,250,651) | (24,659,130) | (2,787,982) |
| Repayments of principal for lease liabilities | 42 | (3,000,330) | (2,667,114) | (285,566) | (409,384) |
| Repayments of interest for lease liabilities | 42 | (76,130) | - | (19,435) | - |
| Dividends paid | 39 | (11,097,290) | (8,094,076) | (11,097,291) | (6,472,971) |
| Finance costs paid | | (53,887,867) | (23,939,384) | (29,157,152) | (15,112,735) |
| Net cash generated from/(used in) financing activities | | 129,229,468 | (11,378,161) | 60,038,437 | (13,795,610) |
| Net increase/(decrease) in cash and cash equivalents | | 43,030,824 | (12,189,149) | 31,171,629 | (12,296,002) |
| Cash and cash equivalents, beginning of the year | | 21,683,588 | 33,162,448 | 15,710,878 | 27,624,715 |
| Effect of movements in exchange rates on cash held | | 180,853 | 710,289 | 93,005 | 382,165 |
| Cash and cash equivalents, end of the year | | 64,895,265 | 21,683,588 | 46,975,512 | 15,710,878 |

# Notes to the Annual Report for the year ended 31 March 2022

## 1. Corporate information

### 1.1 Reporting entity

Flour Mills of Nigeria Plc (The Company) was incorporated in Nigeria as a private limited liability Company on 29 September 1960 and was converted to a public liability company in November 1978. Its registered head office is located at 1 Golden Penny Place, Apapa, Lagos. These consolidated and separate financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

### 1.2 Principal activities

The Group and Company are primarily engaged in flour milling, production of pasta, noodles, edible oil and refined sugar, production of livestock feeds, farming and other Agro-allied activities, distribution and sales of fertilizer, manufacturing and marketing of laminated woven polypropylene sacks and flexible packaging materials, development of real estate properties for rental, operation of terminals A and B at the Apapa Port, customs clearing, forwarding agents, shipping agents and logistics.

### 1.3 Going concern status

The financial statements have been prepared on a going concern basis. The Directors believe that there is no intention or threat from any source to curtail significantly the Company's lines of business in the foreseeable future

### 1.4 Ownership structure

| Name of shareholder | No. of shares held | Percentage of share capital |
|---|---|---|
| Excelsior Shipping Company Limited | 2,597,314,890 | 63 |
| Other individuals and institutional shareholders | 1,503,080,716 | 37 |
| | **4,100,395,606** | **100** |

The ultimate holding company is Excelsior Shipping Company Limited, a company registered in Liberia. The beneficial owner of Excelsior Shipping Company is a trust established by the late Mr. George S. Coumantaros.

### 1.5 Financial period

These consolidated and separate financial statements cover the financial period from 1 April 2022 to 31 March 2023, with comparatives for year ended 31 March 2022.

### 1.6 Basis of accounting

The consolidated and separate financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies and Allied
Matters Act (CAMA), 2020 and the Financial Reporting Council (FRC) of Nigeria Act, 2011.
The financial statement were authorised for issue by the board on 24th August 2023. Details of the Group's accounting policies are included in Note 2.

### 1.7 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Agricultural produce: Fair value less cost to sell.
- Non-bearer plant biological assets: Fair value where possible and cost where it is impossible to determine the fair value.
- Non-derivative financial assets and liabilities at amortised cost: Initially measured at fair value and subsequently measured at amortised cost.
- Inventories: Lower of cost and net realisable value.
- Defined benefits obligations: Present value of the obligation.
- Financial assets at Fair Value through Other Comprehensive Income ("FVOCI").
- Derivative financial assets and liabilities: Fair value through Other Comprehensive Income ("OCI").

### 1.8 Functional and presentation currency

For the purpose of these financial statements, the results and financial position of the Company and its subsidiaries are expressed in Naira, which is the functional currency and the presentation currency for the Company and the Group financial statements.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## 2. Significant accounting policies

The following accounting policies have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise.

### 2.1 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

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Flours Mills of Nigeria Plc.

The Group and Company's primary format for segment reporting is based on business operating segments. Where applicable, segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
The basis of segmental reporting has been set out in Note 7.

### Subsidiaries

The Group 'controls' an entity if it is exposed to, or has right to, variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity. This is generally accompanied by a share of more than 50% of the voting rights. The financial information of the subsidiaries are prepared as of the same reporting date and consolidated using consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.
Transactions with non-controlling interests which result in change in ownership levels, where the Group has control of the subsidiary both before and after the transactions are regarded as equity transactions and are recognised directly in the statement of changes in equity.

### Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given (at the date of exchange), liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. Costs directly attributable to the business combination are expensed as incurred in statement of profit or loss, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.Contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured at fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business combinations are recognized and measured at their fair value at the acquisition date, except: deferred tax assets or liabilities arising from the assets acquired and liabilities assumed are measured in

- accordance with the Group's accounting policy on taxation.
  liabilities or assets related to employee benefit arrangements are recognised and measured in accordance
- with the Group's accounting policy on employee benefits; .
  assets (or disposal groups) that are classified as held for sale in accordance with the Group's accounting
- Policy on Non-current Asset Held for Sale and Discontinued Operations are measure in accordance with the applicable Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in IFRS. The group has adopted the fair value approach for the measurement of the non-controlling interest for the acquisition during the year.

### Business combination of entities under common control

Business combinations in which all of the entities or businesses are ultimately controlled by the Group both before and after the combination and that control is not transitory are recognised as common control transactions. Where the transaction takes the form of a merger in which individual assets are acquired and liabilities assumed rather than the shares in the business being acquired, the acquirer accounts for such assets and liabilities at book value and the difference between the carrying value of the investments and the net assets acquired is recognised in retained earnings.

The result of the merged subsidiary is included in the separate financial statements of the existing entity as if the merger occurred at the beginning of the financial year.
Interests in subsidiaries in company separate financial statements in the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

Investments in subsidiaries are eliminated on consolidation in the Group financial statements.

### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other component of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### 2.3 Revenue from contracts with customers

Revenue represents the net value of goods sold (including delivery charges) to customers net of discounts, rebates and value added tax. Revenue is measured based on the

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

### Nature and timing of satisfaction of performance obligation, including significant payment terms

Customers gain control of goods when the goods have been delivered and accepted at their premises or when the goods are picked up by the customer. Invoices are generated at that point in time. Invoices are usually payable within 30 days. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### Revenue recognition

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises or when the goods are picked up by the customer.For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

### Rendering of services

Revenue represents the net value of services in respect of various services which includes haulage services, port services, packaging services e.t.c. rendered to third parties net of discounts and value added tax. The above services can be obtained from other providers and do not significantly customise or modify the sale of the Group's products. The Group recognises revenue from port and haulage services over time.

Advance payments received for goods yet to be delivered and services yet to be rendered by the Group/Company are recognized as contract liabilities on the statement of financial position and revenue is recognised as soon as goods have been delivered or services have been rendered.

### 2.4 Biological assets

Biological asset is recognised only when the Group controls the asset as a result of past events, it is probable that future economic benefits will flow to the entity, and the fair value or cost of the asset can be measured reliably. Biological assets comprise growing sugar cane, oil palm fresh fruit bunches and cassava as well as poultry. Biological assets are measured on initial recognition and subsequently at fair value less cost to sell.

Biological assets at the point of harvest are measured at fair value less cost to sell and are subsequently reclassified from agricultural produce to inventory and measured in accordance with the accounting policy on inventories.

Fair value gain or loss arising on initial and subsequent measurement is recognised in profit or loss for the period in which it arises.

### 2.5 Investment property

Investment properties are properties held for long term rental yields. Investment properties are carried in the Group statement of financial position at cost less accumulated depreciation. Cost includes transaction costs on initial recognition.

Investment property is initially measured at cost and depreciated on a straight line basis to allocate cost less residual values of the assets over their estimated useful lives.

Depreciation of Investment property is calculated on a straight line basis to allocate cost less residual values of the assets over their estimated useful lives.

Investment property (building) is depreciated over a useful life of 50 years.Investment property is derecognised in the event of transfer of the investment property or the disposal of the investment property. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

### 2.6 Property, plant and equipment

The cost of an item of property, plant and equipment is

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items, including the capitalisation of borrowing costs on qualifying assets.
If significant parts of an item of Property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of Property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets less their residual values over their expected useful lives. The depreciation of all asset starts when it is available for use. Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

| Item | Average useful life |
|---|---|
| Buildings | 50 years |
| Plant and machinery | 5-25 years |
| Furniture, fittings and equipment | 3-10 years |
| Motor vehicles | 4-5 years |
| Mature bearer plants | 7-35 years |

Freehold land Not depreciated Berth rehabilitation over the lease period the estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.Assets in the course of construction (capital work-in-progress) are carried at cost, less any recognised impairment losses. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the Group's accounting policy. Assets in the course of construction or PPE items are not depreciated until they get to the stage of available for use.

Major spare parts and stand-by equipment are carried as Property, plant and equipment when an entity expects to use them over more than one period or when they can be used only in connection with an item of Property, plant and equipment.

Immature bearer plants are carried at cost and represent bearer plants that have been planted but have not reached a matured stage and have not started yielding biological assets. They are not depreciated. Immature crops, including the cost incurred for procurement of new seeds and maintenance of nurseries, are carried at cost less any recognized impairment losses under capital work-in-progress. Cost includes the cost of land preparation, new planting, fertilizing, maintenance of newly planted bushes for a period of four years until maturity. On maturity (i.e. when the bearer plants are ready for their intended use), these costs are classified under bearer plants. Depreciation of bearer plants commence when they are ready for use.

### 2.7 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses and residual values. Amortisation is recognised on a straight-line basis over their estimated useful lives and is generally recognized in profit or loss. The estimated useful life and amortisation method are reviewed at the end of

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses less their estimated residual values.

Amortisation is recognised so as to write-off the cost of finite intangible assets, over their useful lives, using the straight-line method, on the following bases:

| Item | Useful life |
|---|---|
| Computer software | 3 - 5 years |
| Brand name | Indefinitely |
| Customer relationships | Indefinitely |

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### 2.8 Financial instruments

**i. Recognition and initial measurement:**

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value where such transaction costs and fees are immediately recognized in profit or loss. Financial instruments are recognized (derecognized) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

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

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

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

**ii. Classification and subsequent measurement Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI (FVOCI) -
debt investment; FVOCI - equity investment; or Fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group and Company change their business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at mortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

  All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.Financial assets - Business model assessment

The Group and Company make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The following are considered in the assessment:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group and Company's management;

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

  Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group and Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and Company consider:

- contingent events that would change the amount or timing of cash flows:
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's clam to cash flows from specified assets (e.g. non-recourse features), a prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; or fair value through profit or loss.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows, Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination). Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or Derivatives which are not part of a

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

hedging relationship:
- Mandatorily at fair value through profit or loss.
Financial liabilities:
- Amortised cost; or designated at fair value
On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

### Financial assets - Subsequent measurement and gains and losses

| | |
|---|---|
| **Financial assets at FVTP** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method, The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in OCI and are reclassified to profit or loss |
| **Equity investment at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

Note 46 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

### 2.8.1 Trade and other receivables Classification

Trade and other receivables (excluding, when applicable, VAT and prepayments) are classified as financial assets subsequently measured at amortised cost. Trade receivables are recognised initially at the transaction price, unless they contain significant financing component then they are recognised at fair value.
They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

### Impairment

***Financial instruments and contract assets***

The Group and Company recognise loss allowances for Expected Credit Losses (ECLs) on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets

The Group and Company measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs using a simplified impairment methodology adjusted for current conditions and forward looking information.
When determining or estimating whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and Company's historical experience and informed credit assessment and including forward- looking information.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The Group and Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and Company consider a financial asset to be in default when;

- the borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.
  Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months)
The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and Company are exposed to credit risk.

### Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expect to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### *Credit impaired financial assets*
At each reporting date, the Company assesses financial assets carried at amortised cost as credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract such as a default or being more than 90 days past due.

Loss allowance for the financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Presentation of allowance for ECL in the consolidates and seperate statement of Financial Position
Loss allowance for financial assets measured at amortised costs are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowances is charged to profit or loss and is recognized in OCI.

### *Write-off*
The gross carrying amount of a financial asset is written off when the Group and Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is more than 1 year past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and Company expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due. Any recovery made is recognized in profit or loss.

### 2.8.2 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions, bank overdrafts and highly liquid investments generally with maturities of three months or less. Term deposit with tenor of one year or less are also included in cash and cash equivalents if they are held for short term cash commitments rather than for investment or other purposes. Cash equivalents are readily convertible into known amounts of cash and have an insignificant risk of changes in value. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

### 2.8.3 Borrowings and loans
### Recognition and measurement
Borrowings and loans are recognised when the Group or Company becomes a party to the contractual provisions of the

loan. The loans are measured at initial recognition, at fair value plus transaction costs if any. They are subsequently measured at amortised cost using the effective interest method.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.
Borrowings expose the Group and Company to liquidity risk and interest rate risk. Refer to Note 46 for details of risk exposure and management thereof.

### 2.8.4 Trade and other payables
**Recognition and measurement**
They are recognised when the Group or Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method if the impact of discounting is material.

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

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

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to Note 46 for details of risk exposure and management thereof.

### 2.8.5 Bank overdrafts
Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### 2.8.6 Derivatives and hedge accounting Classification
The Group holds derivative financial instruments to hedge its foreign currency risk exposures.
Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. The Group designates certain derivatives as hedging instruments to hedge its variability in cashflows associated with highly probable forecast transactions arising from changes in foreign exchange rates and certain derivatives.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option.
The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

### *Cash flow hedges*
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

When the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

### *Nature and purpose of hedging reserves*
The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

### *Derivatives that do not qualify for hedge accounting*
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in net gains or losses in profit or loss.

### *Hedge effectiveness*
The Group determines hedge effectiveness at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

### *Hedges directly affected by interest rate benchmark reform*
The Group has adopted the Phase 2 amendments and retrospectively applied them from 1 April 2022.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of interbank offered rate ("IBOR") reform and therefore there is no longer uncertainty arising about the

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only
to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;

- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.
  The Group amends the description of the hedging instrument only if the following conditions are met:
- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

### Recognition and measurement

Derivatives are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Directly attributed transaction costs are recognised in profit or loss. Details of the valuation policies and processes are presented in Note 47.

### 2.8.7 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### Derecognition Financial assets

The Group or Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party to which the Group or Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. If the Group or Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group or Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group or Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities

The Group and Company derecognise financial liabilities when, and only when, the Group and Company obligations are discharged, cancelled or they expire. The Group and Company also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cashflows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any cost and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### 2.9 Taxation

Income tax expense comprises current tax (company income tax, tertiary education tax, Nigeria Police Trust Fund levy, National Agency for Science and Engineering Infrastructure (NASENI) levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows;

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).
- National Agency for Science and Engineering Infrastructure (NASENI) Levy - NASENI Levy is based on a rate of 0.25% of the turnover of companies engaged in banking, information and communication technology (ICT), maritime, aviation and oil & gas sectors, in Nigeria, with an annual turnover of N100m and above.
- Total amount of tax payable under Company Income Tax Act is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year) and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.
- The Group and Company offset the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.
- Minimum tax, which is based on a gross amount is outside the scope of IAS 12 and therefore not presented as part of income tax expense in the profit or loss. Minimum tax was computed for the Group subsidiaries with no assessable or total profits, or tax payable which was less than minimum tax. The prevailing rate for minimum tax is 0.5% of gross turnover. The Finance Act (2020) defines 'gross turnover' as the gross inflow of economic benefits arising from operating activities of a company including sales of goods, supply of services, receipt of interest, rents, royalties, or dividends. The Group and the Company recognise minimum tax payable to the tax authority as part of their company income tax payable in the statement of financial position.
- Nigeria Police Trust Fund levy-Nigeria Police Trust Fund levy is based on the Net profit of the Company and is governed by the Nigeria Police Trust Fund (Establishment) Act, 2019.
- National Agency for Science and Engineering Infrastructure (NASENI) Levy is based on 0.25% of the Turnover and is governed by the NASENI Act, 1992. It applies only to companies in specific sectors, with an annual turnover of N100m and above. During the year, the Group had only one subsidiary liable to the levy - Apapa Bulk Terminal Limited.

### Implementation of Finance Act

- The Finance Act 2021 (the Act) introduced sweeping changes to the Nigerian tax laws; the amendments were generally to promote fiscal equity, align local tax laws with global best practices and support small businesses in line with the Ease of doing business reforms. The Act also provided clarification on controversial and unclear areas of the tax laws.
- The Federal Inland Revenue Service (FIRS) recently issued circulars to provide guidance to taxpayers on the transition process and implementation of the changes

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

in the Act.

- The Company has reviewed the amendments introduced by the Finance Act, evaluated the impact of the changes on its operations and has put in place mechanisms to align with the new tax laws. The Company also constantly reviews its operations to ensure that the changes have been implemented appropriately.

### Accounting for uncertain tax treatments Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of the probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The Company has applied IFRIC 23 by evaluating the cumulative effect of initially applying the interpretation as an adjustment to the opening balance of retained earnings of the annual reporting period. At the date of initial transition, there were no adjustments relating to uncertainty over income taxes recorded in the opening balance of retained earnings. The Company's compliance framework ensures that the tax treatment accorded to its operations is in line with the enacted tax laws.

The Company's judgements with respect to income taxes are based on the likelihoods that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on its tax returns. The Company specifically reviews whether its tax treatments are consistent with requirements and recommendations of the tax laws while ensuring its proper coverage of avoidable tax risks and exposures in process.

The Company measures the impact of uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. Furthermore, the judgements and estimates made to recognize and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affect those judgments.

The Company did not adopt any uncertain tax position during the year and therefore, no provision has been made in this regard.

### Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for unused tax losses and for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences will be utilised and they are expected to reverse in the taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

### 2.10 Leases

### I. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain

* fixed payments, including in-substance fixed payments;
* variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
* amounts expected to be payable under a residual value guarantee; and
* the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as separate items in the statement of financial position.
A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

- for a modification that is not a separate lease, at the effective date of the modification the Group and Company account for it by remeasuring the lease liability using a discount rate determined at that date and:
- for modifications that decrease the scope of the lease, the Group and Company account for it by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognising a gain or loss that reflects the proportionate decrease in scope; and
- for all other modifications, the Group and Company account for it by making a corresponding adjustment to the right of-use asset.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of short term and low value assets. The Group recognises the lease payments associated with these leases as expenses on a straight line over the lease term.

Rental income from letting property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are considered as an integral part of the total rental income and recognised over the term of the lease. Rental income from the ordinary business of the Group is recognised as revenue, while rental income from activities other than the ordinary business are recognised in net operating gains or losses.

### 2.1.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The basis of costing of different Inventory types are as follows:

- Raw materials, components: Purchase cost including transportation and other incidental cost on a First In
- First In First Out (FIFO) basis.
  Goods in transit: Purchase cost incurred to date and other incidental costs and recognised as part of raw
- materials, consumable stores and maintenance spares as applicable
- Work in progress: Weighted average cost
  Finished goods: Purchase cost of direct materials, labour and a reasonable allocation of overheads based on
  normal operating capacity on a weighted average basis.
- Harvested agricultural produce: Fair value less cost to sell at the point of harvest.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

- Consumable stores and maintenance spares: Weighted average cost.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as part of 'cost of raw and packaging materials' in the period in which the reversal occurs.

Inventories include a "right to returned goods" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

### 2.12 Goodwill

Goodwill represents the excess of the consideration over the fair value of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

The excess of the purchase price over the carrying amount of non-controlling interest, when the Group increases its interest in an existing subsidiary, is recognised in equity. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination.

### 2.13 Impairment of tangible and intangible assets excluding goodwill, inventories, deferred tax assets and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Whenever such indication exists, the assets recoverable amount is estimated. The impairment is the carrying amount less the recoverable amount of the assets.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

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

The Company has only one class of shares; ordinary shares. Ordinary shares 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. The use of the share premium account is governed by Companies and Allied Matters Act (CAMA), 2020. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Incremental costs directly attributable to the issue of Ordinary shares are recognised as deduction from equity.

The Group's quasi equity investments are classified as equity instruments as the terms of agreements supporting all quasi equity transactions do not contain an obligation to make principal or interest repayment except at the discretion of issuer. Discretionary payment of principal and interest on quasi equity investment are accounted for in equity as an equity transaction.

### 2.15 Deposit for imports
Foreign currencies applied to fund letters of credit in respect of imported raw materials, spare parts and machinery are recognised as deposit for imports on the statement of financial position.

### 2.16 Employee benefits
#### Short-term employee benefits
Short term employee benefits consists of salaries, bonuses e.t.c. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Defined contribution plans
The Group and Company operate a defined contribution based retirement benefit scheme for their staff, in accordance with the Pension Reform Act of 2014 with employee contributing 8% and the employer contributing 10% each of the employee's relevant emoluments (basic salaries, housing and transport allowances). Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions. Employees contributions are deducted through payroll.

#### Defined benefits
The Group and Company also operate a gratuity scheme for its qualified staff. Benefits are related to the employees' length of service and remuneration. The gratuity obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period by an independent actuary. All actuarial gains and losses are recognised immediately through other comprehensive income. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. The Company's obligation in respect of the scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximate to the term of the Company's defined benefits obligation. Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- New interest expense
- Remeasurement (actuarial gain and losses)

The service cost and net interest expense are charged to the profit or loss while the gains and loss due to remeasurement are charged to other comprehensive income.
Although the scheme is not funded, the Group ensures that adequate arrangements are in place to meet its obligations under the scheme.

#### Long service award
In addition, the Group operates long service award for its qualified staff. The benefits are graduated depending on the employees number of years in service to the Group. The Group's obligation in respect of the scheme is the amount of future benefits that employees have earned in

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximate to the term of the Group's defined benefits obligation. The obligation is determined by an independent actuary at each reporting period.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. Gains or losses due to remeasurement of long service awards are recognised in profit or loss.

### Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### 2.17 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying benefit will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (when the effect of the time value of money is material).

### Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.
Future operating losses are not provided for.

### Contingent assets and liabilities

A contingent asset is a potential economic benefit that is dependent on some future event(s) largely out of a company's control while a contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

### 2.18 Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

### 2.19 Investment income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established by approval of dividend at the annual general meeting of the investee (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 2.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### 2.21 Borrowing costs

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. These include interest expenses calculated using the effective interest rate method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings. Where a range of debt instruments is used to borrow funds, or where the financing activities are coordinated centrally, a weighted average capitalisation rate is applied.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group defines a qualifying asset as an asset that takes more than a year to prepare for its intended use.
All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 2.22 Foreign currencies translations Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual report are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a nonmonetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss. Cash flows arising from transactions in a foreign currency are recorded in Naira by applying to the foreign currency amount the exchange rate between the Naira and the foreign currency at the date of the cash flow.

### 2.23 Statement of cash flows

The Group applies the indirect method for preparation of the statement of cash flows. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes and

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

other non-cash items have been adjusted for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while finance and dividend income is included in investing activities.

### 2.24 Dividends payable

Dividends which remain unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with the Companies and Allied Matters (CAMA), 2020 are written back to retained earnings.

### 2.25 Net Operating Gains/Losses

Net operating gains and losses is the result generated from the fees earned, rental income, government grants, fair value gains on derivatives, foreign exchange differences, profit or loss on disposal of property, plant and equipment, impairment of non-financial assets and other sundry income and expenses.

### 2.26 Cost of Sales

Cost of sales represents decreases in economic benefits during the accounting period that are directly related to revenue-generating activities of the Group. Cost of sales is recognized on an accrual basis regardless of the time of spending cash and measured at historical cost.

### 2.27 Prepayments

Prepayments are non-financial assets which result when payments are made in advance of the receipt of goods and services and advance payments made for taxes. They are recognised when the Company expects to receive future economic benefits equivalent to the value of the prepayments. The receipt or consumption of the services results in a reduction in the prepayment and a corresponding increase in expenses or assets for that reporting period.

### 2.28 Other investments

Other investments are equity instruments of unrelated entities owned by the Group. The Group assesses the fair value of the instrument at the end of each reporting period. The Group and the Company have designated other investments as at fair value through other comprehensive income.

### 2.29 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

### 3. Significant judgements, assumptions and sources of estimation uncertainty

The preparation of financial statement in conformity with IFRS requires Directors, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

### Use of Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amount recognised in the financial statement is included in the following notes:

Note (42) lease term; whether the Group is reasonably certain to exercise extension options

Note (22) Non controlling interest- recognition and measurement of the business combination using the fair value approach.

Note (15) - recognition of deferred tax assets: availability and timing of future taxable profit against which deductible temporary difference and tax losses carried forward can be utilised;

Note (38) and (51) - recognition and measurement of provisions and contingencies: key judgements about the likelihood and magnitude of an outflow of resources;

Note (7) Gain on bargain purchase allocation - Allocation of gain on bargain purchase realized from acquisition across segments.

### Assumptions and estimation uncertainties

Information about assumptions and estimation

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

uncertainties as at 31 March 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes
Note (35) and (36)- recognition of defined benefit obligation: key actuarial assumptions;
Note (25) determining the fair value of biological assets on the basis of significant unobservable inputs;
Note (20) and (21)- impairment test of intangible assets and goodwill; key assumptions underlying recoverable amounts;
Note (37) determining the inputted interest rate of the borrowing cost to compute the fair value of the loan;
Note (28) measurement of ECL allowance for the receivables and contract assets; key assumptions in determining the weighted-average loss rate; and
Areas of estimation uncertainties are disclosed below:

### Biological assets
Fair value of biological assets is measured with reference to the estimated price in an active market at the point of harvest adjusted for its present location and stage of maturity/condition. Judgement is involved in the determination of the adjustment required to the market price to reflect the stage of maturity/condition of the biological assets.

### Allowance for credit losses
The Company periodically assesses its trade and other receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of customers and future economic conditions. Judgment is exercised in determining the allowances made for credit losses.

Impairment allowance is made for receivables that have been outstanding for 365 days, in respect of which there is no firm commitment to pay by the customer.

These assessments are subjective and involve a significant element of judgment by management on the ultimate recoverability of amounts receivable.

### Contingencies
Judgements and assumptions are made about the likelihood and magnitude of an outflow of resources with respect to ongoing litigation and claims and regulatory audits.

### Measurement of government grant
As at the end of the reporting period, the Group was granted some government assisted loans at below market rates. In accordance with IAS 20, the government grant which is the difference between the proceeds of the loans and their fair value should be accounted for. Based on IFRS 9, all financial liabilities should be initially recognized at fair value. In computing the fair value of these loans, the imputed interest rate used in discounting the cash flows associated with the loans is based on management judgement of best estimate of its borrowing cost at the time the loans were granted.

### Provision for gratuity
The Company operates an unfunded defined benefit scheme which entitles staff who put in a minimum qualifying working period of five years to gratuity upon leaving the employment of the Company. IAS 19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve the making of several demographic projections regarding mortality, rates of employee turnover etc. and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc.

### Provision for long service award
A provision for Long term service award is granted at first to employees that have spent a minimum of ten years in service and for every multiple five years an employee remains in service. IAS 19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve the making of several demographic projections regarding mortality, rates of employee turnover etc. and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc.

### Taxation
The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

### Impairment of Goodwill
Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

generating units to which goodwill has been allocated. The value in use calculations requires directors to estimate the future cashflows expected to arise from the cash generating unit and use a suitable discount rate to calculate the present value. The determination of the expected future cashflows requires judgement to be made by management. Where the actual future cashflows are less than expected, an impairment loss may arise.

### Measurement of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: input for the asset or liability that are not based on observable market data (unobservable inputs).
  In some cases, if the inputs used to measure the fair value of an asset or a liability is categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
  The Group/Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
  Further information about the basis of determination of fair values are included in Note 46 Financial Instruments - Fair Values and Financial Risk Management.

### 4. New Standards and Interpretations

### 4.1 Standards and interpretations issued but not yet effective

The following standards have been issued or amended by the IASB but are yet to be effective as at the reporting date:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current.
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback .
- Amendments to IAS 1 Non-current Liabilities with Covenants.
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

### Amendment to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendment to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendment clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The IASB also added two new paragraphs (Paragraph 76A and 76B) to IAS1 to clarify what is meant by "settlement" of a liability. The IASB concluded that it was important to link the settlement of the liability with the outflow of resources of the entity. The amendment is not expected to have any material impact on the Group.

### Amendments to IFRS 16 Lease Liability in a Sale and Leaseback.

In January 2020, the IASB issued amendment to IAS 1 to specify the requirements for classifying liabilities as current or

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendment confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.
  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendment is not expected to have any material impact on the Group.

**Amendments to IAS 1 Non-current Liabilities with Covenants.**

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change (e.g. convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants.

The amendments will apply from 1 January 2024. However, companies need to consider whether their upcoming annual financial statements will need to include disclosures under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors of the possible future impacts. The amendment is not expected to have any material impact on the Group.

**Amendments to IAS 8 - Definition of Accounting Estimates.**

The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarifies the following:

- an entity develops an accounting estimate to achieve the objective set out by an accounting policy.
- developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique.
  a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
  a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendment is not expected to have any material impact on the Group.

**Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.**

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 5. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| **Revenue from contracts with customer** | **31-Mar-23 N'000** | **31-Mar-22 N'000** | **31-Mar-23 N'000** | **31-Mar-22 N'000** |
| Sale of goods | 1,492,877,117 | 1,118,159,111 | 878,838,961 | 789,151,462 |
| Rendering of services | 46,777,671 | 45,643,740 | 44,176,752 | 43,659,099 |
| Total Revenue | 1,539,654,788 | 1,163,802,851 | 923,015,713 | 832,810,561 |

| **Analysis by segment** | Group | | Company | |
|---|---|---|---|---|
| ***Sales of goods-point in time*** | **31-Mar-23 N'000** | **31-Mar-22 N'000** | **31-Mar-23 N'000** | **31-Mar-22 N'000** |
| Food | 1,000,627,569 | 748,762,912 | 858,728,070 | 772,157,714 |
| Agro Allied | 283,952,026 | 213,373,985 | 20,110,891 | 16,993,748 |
| Sugar | 208,297,522 | 156,022,214 | - | - |
| ***Provision of services-overtime*** | | | | |
| Support Services | 46,777,671 | 45,643,740 | 44,176,752 | 43,659,099 |
| | **1,539,654,788** | **1,163,802,851** | **923,015,713** | **832,810,561** |

* Agro allied in the company relates to the sale of Golden Penny Vegetable Oil, Soya Oil and Margarine products.

* Support services relates to the operation of Terminals, customs clearing, forwarding and shipping agents and logistics.

### 6. Cost of Sales (by Nature)

| | Group | | Company | |
|---|---|---|---|---|
| | **31-Mar-23 N'000** | **31-Mar-22 N'000** | **31-Mar-23 N'000** | **31-Mar-22 N'000** |
| Cost of raw and packing materials | 1,225,962,938 | 957,956,311 | 730,241,823 | 714,696,156 |
| Production employee cost | 31,753,525 | 23,522,020 | 18,815,723 | 15,882,705 |
| Depreciation | 27,888,340 | 21,447,186 | 11,924,091 | 10,831,827 |
| Fuel and oil | 41,205,202 | 23,111,312 | 18,574,210 | 12,673,188 |
| Factory rent and rates | 140,320 | 108,261 | 3,138,145 | 1,225,302 |
| Factory repairs and maintenance | 21,483,088 | 16,113,766 | 9,958,827 | 9,011,942 |
| Insurance | 1,678,868 | 941,249 | 844,785 | 512,853 |
| Technical fees | 6,659,592 | 5,683,803 | 400 | - |
| Other production expenses | 5,780,068 | 6,828,820 | 1,832,683 | 3,905,123 |
| | **1,362,551,941** | **1,055,712,728** | **795,330,687** | **768,739,096** |

*Other Production expenses include cost incurred in/on personnel uniforms, factory security, laboratory, fumigation/sanitation, stationeries, Information Technology, etc.

### 7. Segment information

Information reported to the chief operating decision makers (board of directors) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

**Basis of Segmentation**

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different operational and marketing strategies.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The following summary describes the operations of each reportable segment:

| | |
|---|---|
| **Food** | Milling and sales of Flour products and sales of pasta, snacks sugar and noodles. |
| **Agro Allied** | Farming of maize, cassava, soya, sugar cane, and oil palm and production and sales of fertilizer, edible oils, livestock feeds and poultry products. |
| **Support services** | Manufacturing and marketing of laminated woven polypropylene sacks and support services flexible packing materials. Port terminal operations, customs clearing and forwarding, shipping and haulage services and leasing of investment property. |
| **Sugar** | Cultivation and processing of sugarcane, refining and selling of sugar and sale of by- products from sugar refining. |

The Board of Directors of Flour Mills of Nigeria Plc reviews the internal management reports of each segment on a periodic basis.

There are varying levels of integration between the Food and the Agro allied segments and the Sugar and Services segments.

This integration includes transfer and sale of raw and packaging materials and shared distribution services respectively. All non-current asset of the group are domiciled in Nigeria and overseas.

**Segment revenue and profit or loss**
The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

### 31 March 2023

| Group | Revenue N'000 | Cost of sales N'000 | Gross profit N'000 |
|---|---|---|---|
| Food | 1,000,627,569 | 866,340,586 | 134,286,983 |
| Agro Allied | 283,952,026 | 262,918,966 | 21,033,060 |
| Sugar | 208,297,522 | 202,565,637 | 5,731,885 |
| Support Services | 46,777,671 | 30,726,752 | 16,050,919 |
| | **1,539,654,788** | **1,362,551,941** | **177,102,847** |

| Group | Revenue N'000 | Cost of sales N'000 | Gross profit N'000 |
|---|---|---|---|
| Food | 748,762,912 | 685,942,311 | 62,820,600 |
| Agro Allied | 213,373,985 | 184,511,351 | 28,862,634 |
| Sugar | 156,022,214 | 155,634,561 | 387,653 |
| Support Services | 45,643,740 | 29,624,504 | 16,019,235 |
| | **1,163,802,851** | **1,055,712,728** | **108,090,122** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| | Group | | Group | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-22 ₦'000 |
| | Segment revenue | Segment Profit/(loss) | Segment revenue | Segment Profit/(loss) |
| Food | 1,057,319,739 | 33,791,108 | 839,596,668 | 28,838,073 |
| Agro Allied | 328,413,581 | 13,031,651 | 265,078,092 | 20,057,370 |
| Sugar | 217,315,761 | 1,297,869 | 161,206,996 | (3,208,395) |
| Support Services | 88,697,668 | 3,588,640 | 82,359,133 | 6,572,290 |
| Elimination of Inter-segment revenue | (152,091,961) | - | (184,438,039) | |
| Elimination of Inter-segment profit/loss | - | (8,957,154) | - | (11,141,190) |
| | **1,539,654,788** | **42,752,114** | **1,163,802,850** | **41,118,148** |

Revenue from customers domiciled in Nigeria amounted to N1.512 trillion (2022: 1.162 trillion), while revenue from foreign customers (export revenue) amounted to N27.2 billion (2022: N27.5 billion).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Segment assets and liabilities - Group

| Segment assets | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
|---|---|---|
| Food | 754,177,163 | 534,979,691 |
| Agro Allied | 292,344,260 | 187,920,933 |
| Sugar | 206,264,243 | 190,696,524 |
| Support Services | 66,791,150 | 34,821,027 |
| Elimination of Inter-segment assets | (222,180,426) | (281,406,365) |
| | **1,097,396,390** | **667,011,809** |

| Segment liabilities | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
|---|---|---|
| Food | 695,618,300 | 347,481,909 |
| Agro Allied | 191,151,433 | 95,001,603 |
| Sugar | 158,830,399 | 128,980,659 |
| Support Services | 62,881,785 | 34,055,544 |
| Elimination of Inter-segment liabilities | (236,310,415) | (134,412,596) |
| | **872,171,502** | **471,107,118** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 7. Segment information (continued)

**Other material items**

| Group | Food | Allied Agro | Sugar | Support Services | Reportable segment total | Intersegment adjustments | Consolidated total |
|---|---|---|---|---|---|---|---|
| 31March, 2023 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Interest income | 4,399,036 | 5,855,983 | 262,420 | 547 | 10,517,986 | (9,800,375) | 717,611 |
| Interest expense | (38,735,077) | (12,816,187) | (12,047,570) | (2,024,550) | (65,623,384) | 9,897,663 | (55,725,721) |
| Depreciation and amortisation | (18,041,447) | (3,470,985) | (5,820,442) | (1,750,487) | (29,083,361) | 1,773,420 | (27,309,941) |
| Fair value (loss)/gain on derivatives | (2,225,588) | 106 | (581,544) | - | (2,807,026) | - | (2,807,026) |
| | **(54,603,076)** | **(10,431,083)** | **(18,187,136)** | **(3,774,490)** | **(86,995,785)** | **1,870,708** | **(85,125,077)** |

| | Food | Allied Agro | Sugar | Support Services | Reportable segment total | Intersegment adjustments | Consolidated total |
|---|---|---|---|---|---|---|---|
| 31March, 2022 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Interest income | 6,666,020 | 418,024 | 44,149 | 20,085 | 7,148,278 | (6,061,858) | 1,086,420 |
| Interest expense | (15,354,888) | (6,439,358) | (7,800,884) | (2,030,359) | (31,625,489) | 6,143,866 | (25,481,623) |
| Depreciation and amortisation | (13,658,460) | (4,159,244) | (5,259,736) | (1,748,505) | (24,825,943) | 466,884 | (24,359,059) |
| Fair value (loss)/gain on derivatives | 389,420 | - | - | - | 389,420 | - | 389,420 |
| | **(21,957,907)** | **(10,180,577)** | **(13,016,471)** | **(3,758,779)** | **(48,913,734)** | **548,892** | **(48,364,842)** |

Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

## 8. Net operating gains and (losses)

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Fees earned | 6,476,331 | 4,360,563 | 147,751 | 318,269 |
| Fair value (loss)/gain on derivatives* | (2,807,026) | 389,420 | (1,954,707) | 321,799 |
| Rental income | 262,507 | 202,544 | 141,615 | 204,887 |
| Insurance claim | 340,294 | 743,832 | 49,299 | 323,771 |
| Gain on bargain purchase (Note 23) | 23,023,600 | - | - | - |
| Sundry income/(expense)** | (28,722,150) | (127,578) | (30,471,403) | 9,399 |
| Bad debts recovered/(expense) | 10,420 | - | (14,373) | - |
| Reversal of Impairment of PPE | 1,051,589 | - | 1,051,589 | - |
| Government grants (Note 36) | 11,522,458 | 5,111,647 | 2,409,729 | 1,688,467 |
| (Loss)/profit on disposal of property, plant and equipment | (195,838) | (50,362) | (199,604) | 8,494 |
| Loss on exchange difference | (31,484,327) | (10,194,497) | (15,798,800) | (7,492,987) |
| Fair value changes in biological assets (Note 25) | (1,299,642) | (571,454) | - | - |
| | **(21,821,784)** | **(135,885)** | **(44,638,904)** | **(4,617,901)** |

* The derivative loss for the Group includes the total amount of N2.94 bn (Company N2.08bn) recognised as unrealised loss.

** Sundry expense includes an amount of N31.3 billion paid to the Federal Government by the Company which it anticipates will be treated as a prepayment against current and future taxes as per Note 16.

## 9 Selling and distribution expenses (analysed by nature)

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Employee costs | 6,461,377 | 4,458,800 | 4,434,976 | 3,686,246 |
| Advertisement | 2,123,121 | 1,844,099 | 1,716,683 | 1,737,021 |
| Selling expenses | 6,895,423 | 4,777,266 | 4,718,273 | 3,827,683 |
| | **15,479,921** | **11,080,165** | **10,869,932** | **9,250,950** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 10 Administrative expenses (analysed by nature)

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23<br>N '000 | 31-Mar-22<br>N '000 | 31-Mar-23<br>N '000 | 31-Mar-22<br>N '000 |
| Auditors remuneration | 392,300 | 371,617 | 192,062 | 191,343 |
| Bank charges | 2,595,843 | 2,560,598 | 2,040,288 | 1,862,500 |
| Legal and professional fees | 2,112,767 | 2,471,718 | 1,514,913 | 1,480,243 |
| Depreciation | 4,097,641 | 3,144,616 | 2,585,880 | 2,065,480 |
| Employee costs | 16,079,681 | 11,577,148 | 10,813,874 | 8,223,293 |
| Non income taxes, fines and penalty | 617,042 | 2,304,250 | 359,594 | 2,075,382 |
| Insurance | 501,520 | 677,806 | 94,529 | 262,171 |
| Computer related expenses | 1,907,161 | 1,560,796 | 1,337,499 | 1,094,639 |
| Medical, canteen and welfare expenses | 1,260,352 | 1,188,431 | 883,524 | 881,297 |
| Motor vehicle expenses | 483,220 | 371,717 | 216,500 | 196,649 |
| Fuel, gas and oil | 557,225 | 313,337 | 258,668 | 164,594 |
| General administrative expenses | 5,916,832 | 1,444,129 | 1,604,324 | 322,578 |
| Postages, telephone and cables | 99,728 | 123,934 | 65,622 | 49,506 |
| Printing and stationery | 167,653 | 97,944 | 91,084 | 50,756 |
| Rent and rate | 233,361 | 354,543 | 163,796 | 314,637 |
| Repairs and maintenance | 1,253,806 | 1,082,683 | 538,794 | 460,227 |
| Subscriptions and donations | 525,367 | 596,501 | 198,538 | 345,879 |
| Security services | 684,487 | 475,471 | 176,177 | 170,729 |
| Travelling expenses | 1,045,424 | 1,058,691 | 828,634 | 957,095 |
| | **40,531,410** | **31,775,930** | **23,964,300** | **21,168,998** |

### 11 Employee information

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23<br>N '000 | 31-Mar-22<br>N '000 | 31-Mar-23<br>N '000 | 31-Mar-22<br>N '000 |
| Employee costs comprise: | | | | |
| Salaries, wages and other benefits | 49,674,851 | 35,851,338 | 30,901,004 | 24,905,657 |
| Pensions | 1,670,840 | 1,267,977 | 1,019,032 | 955,617 |
| Long service awards | 589,181 | 126,347 | 409,839 | 128,521 |
| Gratuity | 2,359,711 | 2,312,306 | 1,734,698 | 1,802,449 |
| | **54,294,583** | **39,557,968** | **34,064,573** | **27,792,244** |
| Total employee costs recognised in profit or loss: | | | | |
| Cost of sales | 31,753,525 | 23,522,020 | 18,815,723 | 15,882,705 |
| Administrative expenses | 16,079,681 | 11,577,148 | 10,813,874 | 8,223,293 |
| Selling and distribution expenses | 6,461,377 | 4,458,800 | 4,434,976 | 3,686,246 |
| | **54,294,583** | **39,557,968** | **34,064,573** | **27,792,244** |

| **Average number** | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| | Number | Number | Number | Number |
| Managerial | 1,748 | 1,469 | 1,062 | 1054 |
| Non-managerial staff | 4,171 | 3,721 | 2,777 | 2724 |
| | **5,919** | **5,190** | **3,839** | **3,778** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The table shows the number of employees (excluding directors) whose earnings during the year fall within the ranges shown below:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| | N '000 | N '000 | N '000 | N '000 |
| N.0 - N.500,000 | 273 | 340 | 1 | 278 |
| N.500,001 - N.1,000,000 | 1,652 | 1,349 | 1,234 | 1,184 |
| N.1,000,001 - N.10,000,000 | 3,716 | 3,258 | 2,387 | 2,122 |
| N.10,000,001 - N.20,000,000 | 250 | 233 | 191 | 185 |
| N.20,000,000 and above | 28 | 10 | 26 | 9 |
| **Total** | **5,919** | **5,190** | **3,839** | **3,778** |

### 12 Investment income

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| **Dividend income** | | | | |
| Dividend income | 23,896 | - | 9,023,896 | 6,122,000 |
| **Interest income** | | | | |
| Interest income from short term investments and bank deposits | 693,715 | 1,086,420 | 618,241 | 954,818 |
| Interest income from loans to related companies | - | - | 3,535,888 | 5,701,667 |
| **Total investment income** | **717,611** | **1,086,420** | **13,178,025** | **12,778,485** |

### 13 Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Interest expense on loans from related parties | - | - | 4,604,090 | 360,188 |
| Interest on bond and commercial papers | 5,328,922 | 5,980,646 | 5,328,853 | 5,980,646 |
| Interest expense on lease liabilities | 1,837,854 | 1,542,239 | 56,774 | 82,837 |
| Interest on bank loans and overdrafts | 48,558,945 | 17,958,738 | 19,224,209 | 8,771,901 |
| **Total finance costs** | **55,725,721** | **25,481,623** | **29,213,926** | **15,195,572** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 14 Taxation

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

**Per profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Income tax charged | 23,488,505 | 10,310,454 | 16,143,966 | 5,741,923 |
| Withholding tax on dividend income (i) | 900,000 | 612,200 | 900,000 | 612,200 |
| Tertiary education tax | 2,670,069 | 1,626,083 | 1,887,566 | 892,580 |
| Capital gain tax | 363 | - | 363 | - |
| Police Trust Fund Levy | 2,797 | 2,933 | 1,613 | 1,487 |
| NASENI Levy | 4,803 | 5,562 | - | - |
| (Over)/under provision in prior year | (841,943) | (270,692) | (363,339) | (206,277) |
| Current tax expense | 26,224,594 | 12,286,540 | 18,570,169 | 7,041,914 |
| Origination and reversal of temporary differences | (15,946,271) | (1,086,149) | (491,268) | 887,099 |
| Net income tax expense as per profit or loss | 10,278,323 | 11,200,391 | 18,078,901 | 7,929,013 |

(i) Withholding Tax on Dividend income represents the tax payable on dividend income received from subsidiaries, amounting to N900million (2022:N612million). The withholding tax will be paid to relevant tax authorities after the shareholders have approved the final dividend proposed for the year, in line with Section 80 of the Companies Income Tax Act, 2004, as amended.

Corporation tax is calculated at 30% (2022: 30%) of the estimated taxable profit for the year while tertiary education tax is calculated at 2.5% (2022: 2.5%) of the estimated assessable profit for the year. The deferred tax charges recognised in the year relates to the origination and reversal of temporary differences.

| Per statement of financial position | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| At 1 April | 14,411,960 | 9,481,685 | 7,250,478 | 4,690,114 |
| Charge for the period | 26,224,594 | 12,286,540 | 18,570,169 | 7,041,914 |
| Minimum tax | 2,969,506 | 1,902,530 | - | - |
| Payment during the year | | | | |
| Cash | (11,087,898) | (4,833,346) | (4,843,738) | (1,336,183) |
| Withholding tax utilised | (3,655,548) | (4,425,449) | (2,734,839) | (3,145,369) |
| **Current tax payable** | **28,862,614** | **14,411,960** | **18,242,070** | **7,250,478** |

**Minimum Tax**

Minimum tax was computed for the Group subsidiaries with no total profits, or tax payable which was less than minimum tax. During the year, the Group computed minimum tax based on 0.50% of turnover and this amounted to N 1.90 billion. In previous year, in line with the Finance Act which provided for a reduced minimum tax rate of 0.25% of gross turnover which applied to corporate tax returns due on any date between 1 January 2020 and 31 December 2022, the minimum tax was computed at 0.25% of gross turnover and this amounted to (N91.2million).

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

**Reconciliation of effective tax rate**
**The Group and Company**

| Reconciliation of effective tax rate | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Profit before tax on continuing operations (A) | 39,782,608 | 39,215,618 | 32,252,805 | 29,748,829 |
| Tax at the statutory corporation tax rate of 30% (2022:30%) | 11,934,782 | 11,764,685 | 9,675,841 | 8,924,649 |
| Effect of police trust fund levy | 2,797 | 2,933 | 1,613 | 1,487 |
| Effect of capital gains tax | 363 | - | 363 | - |
| Withholding tax on dividend | 900,000 | 612,200 | 900,000 | 612,200 |
| Effect of income that is exempt from taxation | (7,252,768) | (6,692,378) | (3,199,180) | (2,762,566) |
| Effect of other non deductible expenses | 7,699,639 | 1,015,889 | 9,711,250 | 696,109 |
| Effect of investment allowance and other incentives | (817,909) | (380,138) | (535,213) | (282,724) |
| Tertiary education tax at 2.5% of assessable | 2,670,069 | 1,626,083 | 1,887,566 | 892,580 |
| Effect of change in Tax rate | - | 314,131 | - | 53,555 |
| Current year losses for which no deferred tax was recognised | - | 1,775,488 | - | - |
| Derecognition of previously recognised deferred tax | - | 1,432,191 | - | - |
| Previously unrecognised deductible temporary difference now recognised | (4,016,707) | - | - | - |
| (Over) or under provision in prior year | (841,943) | (270,692) | (363,339) | (206,277) |
| **Income tax expenses recognised in profit or loss (relating to continuing operations) (B)** | **10,278,323** | **11,200,392** | **18,078,901** | **7,929,013** |
| Effective tax rate (B/A) | 25.8% | 28.6% | 56.1% | 26.7% |

The Finance Act 2022 introduced changes to certain sections of the Companies Income Tax Act (CITA), which have been considered in determining the estimated income tax charge for the year.

### 15 Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| **Analysis of deferred tax balances** | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Deferred tax asset | 11,484,351 | 6,245,238 | - | - |
| Deferred tax liability | (19,489,454) | (15,022,760) | (14,582,143) | (14,217,140) |
| **Net deferred tax liability** | **(8,005,103)** | **(8,777,522)** | **(14,582,143)** | **(14,217,140)** |

The Group has unutilized capital allowances and unrelieved tax losses amounting to ₦0.3 billion and ₦2.1 billion (2022: ₦0.26 billion and ₦1.5 billion) respectively. No deferred tax assets have been recognised in respect of these amounts due to the unpredictability of the amount and timing of future taxable profit against which they would be utilised. The Group would re-assess the timing and availability of future taxable profit against which the asset can be utilised in subsequent years. Previously unrecognised deferred tax assets were recognised on the basis of probability of future taxable profits

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

based on the Group's improved business outlook and forecast of growth. The capital allowances and tax losses can be carried forward indefinitely.

**Deferred tax assets and liabilities**

The following are the major deferred tax liabilities and assets recognised by the Group and Company and movements thereon during the current and prior reporting periods.

| Group as at 31 March 2023 | Opening Balance | Arising from business combination | Recognised in profit or loss | Recognised in Other comprehensive income | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax (assets)/liabilities in relation to** | **N '000** | **N '000** | **N '000** | **N '000** | **N '000** |
| Property, plant and equipment | 26,367,258 | 21,681,703 | (18,565,679) | - | 29,483,282 |
| Tax losses | (2,952,997) | - | (266,366) | - | (3,219,363) |
| Exchange difference | (1,290,502) | - | (3,503,047) | - | (4,793,549) |
| Employee benefits | (4,504,349) | - | (669,724) | 309,401 | (4,864,672) |
| Inventories and trade and other receivables | (6,237,504) | - | 832,097 | - | (5,405,407) |
| Right of use assets | (2,284,785) | (7,434,239) | 7,290,835 | - | (2,428,189) |
| Fair valuation of derivatives instrument | (589,530) | - | (27,457) | 616,987 | - |
| Fair value | - | - | 5,749 | - | 5,749 |
| Gain on fair valuation of biological assets | 269,931 | - | (269,931) | - | - |
| Impairment of investment in subsidiary | - | - | (1,333,421) | - | (1,333,421) |
| Revaluation surplus on land | - | - | 560,673 | - | 560,673 |
| | **8,777,522** | **14,247,465** | **(15,946,271)** | **926,388** | **8,005,103** |

| Group as at 31 March 2022 | Opening balance | Recognised in profit or loss | Recognised in Other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax (assets)/liabilities in relation to** | **N '000** | **N '000** | **N '000** | **N '000** |
| Property, plant and equipment | 24,811,614 | 1,555,644 | - | 26,367,258 |
| Tax losses | (86,999) | (2,865,998) | - | (2,952,997) |
| Exchange difference | (1,071,465) | (219,037) | - | (1,290,502) |
| Employee benefits | (4,469,161) | (633,152) | 597,964 | (4,504,349) |
| Inventories and trade and other receivables | (7,939,137) | 1,701,633 | - | (6,237,504) |
| Right of use assets | (1,616,030) | (668,755) | - | (2,284,785) |
| Fair valuation of derivatives instrument | 167,914 | (140,457) | (616,987) | (589,530) |
| Gain on fair valuation of biological assets | 85,958 | 183,973 | - | 269,931 |
| | **9,882,694** | **(1,086,149)** | **(19,023)** | **8,777,522** |

| Company as at 31 March 2023 | Opening balance | Recognised in profit or loss | Recognised in Other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax (assets)/liabilities in relation to:** | **N '000** | **N '000** | **N '000** | **N '000** |
| Property, plant and equipment | 21,738,817 | 2,008,484 | - | 23,747,301 |
| Exchange difference | (1,527,274) | (1,760,174) | - | (3,287,448) |
| Fair valuation of derivatives instrument | (589,530) | (595,773) | 616,987 | (568,316) |
| Employee benefits | (3,548,929) | (421,950) | 239,284 | (3,731,595) |
| Inventories and trade and other receivables | (1,847,559) | 303,580 | - | (1,543,979) |
| Right of use assets | (8,386) | (25,434) | - | (33,820) |
| | **14,217,139** | **(491,267)** | **856,271** | **14,582,143** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Company as at 31 March 2022 | Opening balance | Recognised in profit or loss | Recognised in Other comprehensive income | Closing balance |
|---|---|---|---|---|
| **Deferred tax (assets)/liabilities in relation to:** | **N '000** | **N '000** | **N '000** | **N '000** |
| Property, plant and equipment | 20,684,899 | 1,053,918 | - | 21,738,817 |
| Exchange difference | (941,081) | (586,193) | - | (1,527,274) |
| Fair valuation of derivatives instrument | 183,187 | (155,730) | (616,987) | (589,530) |
| Employee benefits | (3,553,796) | (443,703) | 448,570 | (3,548,929) |
| Inventories and trade and other receivables | (2,865,863) | 1,018,304 | - | (1,847,559) |
| Right of use assets | (8,893) | 507 | - | (8,386) |
| | **13,498,454** | **887,103** | **(168,417)** | **14,217,140** |

### 16 Statutory assessment

During the year, the Company was subject to a review by a statutory agency. During the review the Company made a payment of N31.3 billion to the Federal Government. Upon conclusion, subsequent to year end, it was agreed that the payment will be treated as a prepayment against current and future taxes and that it represents full settlement in respect of the assessment.

This treatment is subject to certain conditions which had not been met at year-end. Hence the amount has been charged to profit or loss. However, the Company fully anticipates that the conditions will be subsequently met, and that the amount will be available to offset future tax obligations.

### 17 Earnings per share Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

| | Group | | Company | |
|---|---|---|---|---|
| **Profit or loss for the year attributable to equity holders of the parent** | **31-Mar-23 N '000** | **31-Mar-22 N '000** | **31-Mar-23 N '000** | **31-Mar-22 N '000** |
| Profit or loss for the year from continuing operations | 29,732,507 | 25,676,035 | 14,173,904 | 21,819,816 |
| | 29,732,507 | 25,676,035 | 14,173,904 | 21,819,816 |
| Weighted average number of shares ('000) | 4,100,394 | 4,100,394 | 4,100,394 | 4,100,394 |
| Basic earnings per share | | | | |
| From total operations (kobo per share) | 725 | 626 | 346 | 532 |
| From continuing operations (kobo per share) | 725 | 626 | 346 | 532 |
| Diluted earnings per share | | | | |
| From total operations (kobo per share) | 725 | 626 | 346 | 532 |
| From continuing operations (kobo per share) | 725 | 626 | 346 | 532 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

**18a Property, plant and equipment (Group)**

The reconciliation of carrying amounts of property, plant and equipment is given as follows:

| Cost | Land | Building | Plant & Machinery | Furniture, fittings and office equipment | Motor Vehicles | Bearer plants | Berth Rehabilitation | Capital work-in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2021 | 14,222,985 | 64,642,094 | 264,459,588 | 10,323,760 | 15,420,627 | 1,273,260 | 763,547 | 10,137,914 | 381,243,775 |
| Additions | - | 635,093 | 4,729,173 | 948,880 | 4,414,769 | - | 9,675 | 29,914,931 | 40,652,521 |
| Disposals | - | - | (1,680,823) | (73,497) | (488,241) | - | - | - | (2,242,561) |
| Transfer - capital work in progress | - | 965,945 | 9,229,881 | 269,215 | 1,671,398 | 163,085 | - | (12,299,524) | - |
| Transfer to intangible assets | - | - | - | - | - | - | - | (94,909) | (94,909) |
| Reclassification | - | 77,192 | (1,434,455) | (411,535) | 596,850 | - | - | 1,171,948 | - |
| Write off/ impairment | - | (325,077) | (361,814) | (4,986) | (342,060) | - | - | (103,364) | (1,137,301) |
| **Balance at 31 March 2022** | 14,222,985 | 65,995,247 | 274,941,551 | 11,051,837 | 21,273,343 | 1,436,345 | 773,222 | 28,726,996 | 418,421,525 |
| Balance at 1 April 2022 | 14,222,985 | 65,995,247 | 274,941,551 | 11,051,837 | 21,273,343 | 1,436,345 | 773,222 | 28,726,996 | 418,421,525 |
| Additions | 268,144 | 841,422 | 17,092,006 | 584,003 | 2,439,012 | 452,296 | 2,880 | 40,630,970 | 62,310,733 |
| Disposals | - | (8,567) | (19,828,259) | (4,830) | (473,736) | - | - | - | (20,315,392) |
| Transfer - capital work in progress | - | 4,245,455 | 18,735,360 | 778,866 | 489,708 | 2,750,562 | - | (26,999,952) | - |
| Acquisition through business combination (Note 23) | 9,857,600 | 23,311,607 | 50,305,048 | 319,641 | 575,641 | - | - | 903,734 | 85,273,271 |
| Write off | - | - | (550,450) | (3,317) | - | - | - | (134,456) | (688,223) |
| **Balance at 31 March 2023** | 24,348,729 | 94,385,164 | 340,695,256 | 12,726,200 | 24,303,968 | 4,639,203 | 776,102 | 43,127,292 | 545,001,914 |
| **Accumulated depreciation and impairment:** | | | | | | | | | |
| Balance at 1 April 2021 | 1,280,679 | 16,480,508 | 135,471,943 | 7,930,553 | 10,181,565 | 575,979 | 351,059 | 250,000 | 172,522,285 |
| Charge for the year | - | 2,495,400 | 16,567,885 | 995,249 | 1,863,800 | 137,395 | 38,516 | - | 22,098,245 |
| Disposals | - | - | (1,545,146) | (52,406) | (470,797) | - | - | - | (2,068,349) |
| Reclassification | - | 21 | (73,665) | (285,452) | 359,096 | - | - | - | - |
| Write off/impairment | - | (325,077) | (341,658) | (4,318) | (299,996) | - | - | - | (971,049) |
| **Balance at 31 March 2022** | 1,280,679 | 18,650,852 | 150,079,359 | 8,583,626 | 11,633,668 | 713,374 | 389,575 | 250,000 | 191,581,133 |
| Balance at 1 April 2022 | 1,280,679 | 18,650,852 | 150,079,359 | 8,583,626 | 11,633,668 | 713,374 | 389,575 | 250,000 | 191,581,133 |
| Charge for the year | - | 2,719,280 | 18,010,844 | 1,003,915 | 2,627,102 | 482,115 | 38,982 | - | 24,882,238 |
| Disposals | - | (2,070) | (10,435,024) | (4,760) | (465,056) | - | - | - | (10,906,910) |
| Reversal of impairment loss | - | - | (1,051,589) | - | - | - | - | - | (1,051,589) |
| Write off | - | - | (304,100) | (3,237) | - | - | - | - | (307,337) |
| **Balance at 31 March 2023** | 1,280,679 | 21,368,062 | 156,299,490 | 9,579,544 | 13,795,714 | 1,195,489 | 428,557 | 250,000 | 204,197,535 |
| **Carrying amount** | | | | | | | | | |
| **Balance as at 1 April 2021** | 12,942,306 | 48,161,586 | 128,987,645 | 2,393,207 | 5,239,062 | 697,281 | 412,487 | 9,887,914 | 208,721,489 |
| **Balance as at 31 March 2022** | 12,942,306 | 47,344,395 | 124,862,192 | 2,468,211 | 9,639,675 | 722,971 | 383,647 | 28,476,996 | 226,840,392 |
| **Balance as at 31 March 2023** | 23,068,050 | 73,017,102 | 184,395,766 | 3,146,656 | 10,508,254 | 3,443,714 | 347,545 | 42,877,292 | 340,804,379 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 18b Property, plant and equipment (Company)

The reconciliation of carrying amounts of property, plant and equipment is given as follows:

| Cost | Land | Building | Plant & Machinery | Furniture, fittings and office equipment | Motor Vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2021 | 4,132,998 | 28,658,642 | 135,932,357 | 7,036,626 | 11,401,615 | 8,197,064 | 195,359,303 |
| Additions | - | 45,371 | 2,930,869 | 689,429 | 3,356,713 | 16,792,732 | 23,815,114 |
| Disposals | - | - | (769,547) | (36,295) | (209,856) | - | (1,015,698) |
| Transfer- capital work in progress | - | 180,679 | 6,464,124 | 65,531 | 1,785,880 | (8,496,214) | - |
| Transfer to subsidiaries | - | - | - | - | - | (284,972) | (284,972) |
| Transfer to intangible assets | - | - | - | - | - | (94,909) | (94,909) |
| Write off/ impairment | - | - | (2,878) | - | (342,062) | (175,970) | (520,910) |
| **Balance at 31 March 2022** | 4,132,998 | 28,884,692 | 144,554,926 | 7,755,291 | 15,992,290 | 15,937,730 | 217,257,928 |
| Balance at 1 April 2022 | 4,132,998 | 28,884,692 | 144,554,926 | 7,755,291 | 15,992,290 | 15,937,730 | 217,257,928 |
| Additions | 268,123 | 320,928 | 5,485,587 | 469,431 | 2,015,193 | 28,917,922 | 37,477,184 |
| Transfer - capital work in progress | - | 2,317,498 | 12,651,140 | 630,112 | 358,906 | (15,957,656) | - |
| Disposals | - | - | (829,651) | (2,349) | (372,969) | - | (1,204,969) |
| Transfer to subsidiaries | - | - | - | (14,911) | - | (2,134,736) | (2,149,647) |
| Write off | - | - | (191,450) | - | - | (64,605) | (256,055) |
| **Balance at 31 March 2023** | 4,401,121 | 31,523,118 | 161,670,552 | 8,837,574 | 17,993,420 | 26,698,655 | 251,124,441 |
| **Accumulated depreciation and impairment:** | | | | | | | |
| Balance at 1 April 2021 | 419,907 | 8,860,010 | 83,802,131 | 5,327,951 | 7,447,738 | 250,00 | 106,107,737 |
| Charge for the year | - | 1,160,530 | 8,730,201 | 807,368 | 1,371,578 | - | 12,069,677 |
| Disposals | - | - | (707,376) | (15,888) | (196,824) | - | (920,088) |
| Transfer to related parties | - | | | (139,789) | 139,789 | | - |
| Write off/ impairment | | - | - | - | (299,995) | - | (299,995) |
| **Balance at 31 March 2022** | 419,907 | 10,020,540 | 91,824,956 | 5,979,642 | 8,462,286 | 250,000 | 116,957,331 |
| Balance at 1 April 2022 | 419,907 | 10,020,540 | 91,824,956 | 5,979,642 | 8,462,286 | 250,000 | 116,957,331 |
| Charge for the year | - | 1,293,905 | 9,799,344 | 57,163 | 2,003,212 | - | 13,853,626 |
| Disposals | - | - | (287,710) | (2,346) | (364,404) | - | (654,460) |
| Reversal of impairment loss | - | - | (1,051,589) | - | - | - | (1,051,589) |
| **Balance at 31 March 2023** | 419,907 | 11,314,445 | 100,285,001 | 6,734,461 | 10,101,094 | 250,000 | 129,104,908 |
| **Carrying amount** | | | | | | | |
| **Balance as at 1 April 2021** | 3,713,091 | 19,798,632 | 52,130,226 | 1,708,675 | 3,953,877 | 7,947,064 | 89,251,565 |
| **Balance as at 31 March 2022** | 3,713,091 | 18,864,152 | 52,729,970 | 1,775,649 | 7,530,004 | 15,687,730 | 100,300,597 |
| **Balance as at 31 March 2023** | 3,981,214 | 20,208,673 | 61,385,551 | 2,103,113 | 7,892,326 | 26,448,655 | 122,019,533 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Analysis of bearer plants
**31-Mar-23**

| Mature bearer plants | Cost N '000 | Accumulated depreciation N '000 | Carrying amount N '000 |
|---|---|---|---|
| Sugar cane | 4,269,079 | (1,095,958) | 3,173,121 |
| Oil Palm | 370,123 | (99,530) | 270,593 |
| | 4,639,202 | (1,195,488) | 3,443,714 |

**31-Mar-22**

| Mature bearer plants | Cost N '000 | Accumulated depreciation N '000 | Carrying amount N '000 |
|---|---|---|---|
| Sugar cane | 1,066,221 | (623,496) | 442,725 |
| Oil Palm | 370,123 | (89,877) | 280,246 |
| | 1,436,344 | (713,373) | 722,971 |

Also included in the group property, plant and equipment movement schedule is berth rehabilitation, which represents the cost of leasehold improvement at Apapa Bulk Terminal Limited.

**Pledged as security**
There are negative pledges over the Group's property, plant and equipment and floating assets which have been given in relation to the group's borrowings.

**Capital commitments**
The total capital commitments of the Group as at 31 March 2023 amounted to N2.31 billion (2022: N15.04 billion) in respect of various capital projects.

**Capital work in progress**
Capital work in progress comprises immature bearer plants, buildings and plant and machinery under construction as at the year end. There was no capitalised borrowing cost during the year (2022: Nil).

| | Group | | Company | |
|---|---|---|---|---|
| Closing Capital WIP and bearer plants are analysed as follows: | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| Buildings | 6,813,766 | 1,364,519 | 696,010 | 569,235 |
| Plant and machinery | 36,063,527 | 26,064,663 | 25,752,645 | 15,118,496 |
| Immature bearer plants | 4,639,202 | 1,047,814 | - | - |
| | 47,516,495 | 28,476,996 | 26,448,655 | 15,687,730 |

Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

## 19 Investment property

| | Building | |
|---|---|---|
| **Cost** | **Group N '000** | **Company N '000** |
| Balance at 1 April 2021 | 2,193,252 | 87,750 |
| Addition | - | - |
| Balance at 31 March 2022 | 2,193,252 | 87,750 |
| Balance at 1 April 2022 | 2,193,252 | 87,750 |
| Addition | - | - |
| Balance at 31 March 2023 | 2,193,252 | 87,750 |
| Accumulated depreciation | | |
| Balance at 1 April 2021 | 660,699 | 32,961 |
| Charge for the year | 105,110 | 2,054 |
| Balance at 31 March 2022 | 765,809 | 35,015 |
| Balance at 1 April 2022 | 765,809 | 35,015 |
| Charge for the year | 105,110 | 2,055 |
| Balance at 31 March 2023 | 870,919 | 37,070 |
| Carrying amount | | |
| Balance as at 1 April 2021 | 1,532,553 | 54,789 |
| Balance as at 31 March 2022 | 1,427,443 | 54,789 |
| Balance as at 31 March 2023 | 1,322,333 | 50,680 |

**Measurement of fair value**

The fair value of the Group's and Company 's investment property as at 31 March 2023 is N7.8 billion (2022: N7.3 billion) and N729 million (2022: N649.7 million) respectively. The fair value of the Group's investment property has been arrived at on the basis of valuation carried out on the respective dates by Messrs. Godwin Kalu & Co.(FRC registration number: FRC/2023/COY/812389) and Messrs. Jide Taiwo & Co. Estate Surveyors & Valuers (FRC registration number: FRC/2012/00000000254). Messrs. Godwin Kalu & Co and Messrs. Jide Taiwo & Co. are members of the Nigeria Institute of Estate Surveyors and Valuers and are not related to the Group. The fair value was determined based on the market comparable approach that reflects the recent transaction price of similar

| | Group | | Company | |
|---|---|---|---|---|
| | **31-Mar-23 N '000** | **31-Mar-22 N '000** | **31-Mar-23 N '000** | **31-Mar-22 N '000** |
| | N '000 | N '000 | N '000 | N '000 |
| Abuja residential property | 581,200 | 535,700 | 581,200 | 535,700 |
| Ibadan residential property | 147,800 | 114,000 | 147,800 | 114,000 |
| Lagos residential property | 7,100,000 | 6,700,000 | - | - |
| | 7,829,000 | 7,349,700 | 729,000 | 649,700 |

Investment properties comprise of a number of commercial properties that are leased to third parties. Each of the leases contains the lease period as well as the rental charge for the duration of the lease. Rental income earned by the Group amounted to N262 million (2022: N245 million) and direct operating expenses amounted to N240 million (2022: N128 million). The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Valuation techniques | Significant unobservable inputs | Inter-relationshipbetweenkey unobservable inputs and fair value measurement |
|---|---|---|
| The valuation has been done using the market comparison approach. The fair values are based on market price of similar properties adjusted for relevant estimated costs of construction. This is based on the economic principle that a buyer will pay no more for an asset than what it will cost the buyer to own an equivalent asset of equal utility either through purchase or outright construction. | Adjusted cost of construction per floor area N2.42 million per square meter (2022: N3.31 million per square meter). | The estimated fair value will increase (decrease) if: estimated adjusted cost of construction per square meter were higher (lower) |
| The cost of construction is determined by reference to the current construction rate of a similar property to the gross floor area including other associated costs which is further depreciated to reflect present physical conditions, functional and economic obsolescence on the property before including the value of the bare site at the date of the valuation. | Adjusted forced sale cost of construction per floor area N1.69 million per square meter (2022: N2.42 million per square meter). | The estimated fair value will increase (decrease) if: estimated adjusted forced sale cost of construction per square meter were higher (lower) |

Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

## 20 Intangible assets

| Group Cost | Brand name N '000 | Customer relationships N '000 | Computer software N '000 | Total N '000 |
|---|---|---|---|---|
| Balance at 1 April 2021 | - | - | 2,543,671 | 2,543,671 |
| Transfer from property, plant and equipment (Note 18) | - | - | 94,909 | 94,909 |
| Balance at 31 March 2022 | - | - | 2,638,580 | 2,638,580 |
| Balance at 1 April 2022 | - | - | 2,638,580 | 2,638,580 |
| Additions | | | 63,625 | 63,625 |
| Acquisition through business combination (Note 23) | 8,876,456 | 4,418,741 | 317,261 | 13,612,458 |
| Balance at 31 March 2023 | 8,876,456 | 4,418,741 | 3,019,466 | 16,314,663 |
| Accumulated depreciation | | | | |
| Balance at 1 April 2021 | - | - | 1,897,267 | 1,897,267 |
| Charge for the year | - | - | 372,131 | 372,131 |
| Balance at 31 March 2022 | - | - | 2,269,398 | 2,269,398 |
| Balance at 1 April 2022 | - | - | 2,269,398 | 2,269,398 |
| Charge for the year | - | - | 340,033 | 340,033 |
| Balance at 31 March 2023 | - | - | 2,609,431 | 2,609,431 |
| Carrying amount | | | | |
| Balance as at 1April 2021 | - | - | 646,404 | 646,404 |
| Balance as at 31 March 2022 | - | - | 369,182 | 369,182 |
| Balance as at 31 March 2023 | 8,876,456 | 4,418,741 | 410,035 | 13,705,232 |

| | Company | |
|---|---|---|
| Cost | Computer software N '000 | Total N '000 |
| Balance at 1 April 2021 | 2,071,598 | 2,071,598 |
| Addition | - | - |
| Transfer from Property, Plant and equipment (Note 18) | 94,909 | 94,909 |
| Balance at 31 March 2022 | 2,166,507 | 2,166,507 |
| Balance at 1 April 2022 | 2,166,507 | 2,166,507 |
| Addition | - | - |
| Transfer from Property plant and equipment (Note 18) | - | - |
| Balance at 31 March 2023 | 2,166,507 | 2,166,507 |
| Accumulated depreciation | | |
| Balance at 1 April 2021 | 1,570,492 | 1,570,492 |
| Charge for the year | 299,993 | 299,993 |
| Balance at 31 March 2022 | 1,870,485 | 1,870,485 |
| Balance at 1 April 2022 | 1,870,485 | 1,870,485 |
| Charge for the year | 234,247 | 234,247 |
| Balance at 31 March 2023 | 2,104,732 | 2,104,732 |
| Carrying amount | | |
| Balance as at 1 April 2021 | 501,106 | 501,106 |
| Balance as at 31 March 2022 | 296,022 | 296,022 |
| Balance as at 31 March 2023 | 61,775 | 61,775 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

Computer software relates to acquired software license and other costs directly attributable to the preparation of the computer software for its intended use. Amortization of computer software is calculated based on useful life of 5 years.

Amortisation of intangible assets is recognised in administrative expenses in profit or loss.

For the Group, Brand name and customer relationships relate to previously unidentified intangible assets recognized upon acquisition of Honeywell Flour Mills Plc by the Company during the year. These intangible assets have been estimated to have indefinite useful lives.

### 20 Goodwill

| | 31-Mar-23 | | | 31-Mar-22 | | |
|---|---|---|---|---|---|---|
| Group | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| | N"000 | N"000 | N"000 | N"000 | N"000 | N"000 |
| | 4,148,022 | - | 4,148,022 | 4,148,022 | - | 4,148,022 |

| | 31-Mar-23 | | | 31-Mar-22 | | |
|---|---|---|---|---|---|---|
| Company | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| | N"000 | N"000 | N"000 | N"000 | N"000 | N"000 |
| | 1,876,816 | - | 1,876,816 | 1,876,816 | - | 1,876,816 |

The carrying amount of goodwill was allocated to the cash generating units as follows:

| | Group | |
|---|---|---|
| | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
| Goodwill on acquisition of Premium Edible Oil Products Limited (formerly in Rom Oil Mills Limited) - allocated to Premier Feed Mills Company Limited | 1,351,067 | 1,351,067 |
| Goodwill on acquisition of Premium Cassava Products Limited (formerly Thai Farm International Limited) - allocated to Nigerian Eagle Flour Mills Limited | 920,139 | 920,139 |
| Goodwill on acquisition of Quilvest through New Horizon Flour Mills Limited - allocated to Flour Mills of Nigeria Plc. | 1,876,816 | 1,876,816 |
| | 4,148,022 | 4,148,022 |

| | Company | |
|---|---|---|
| | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
| Goodwill on acquisition of Quilvest through New Horizon Flour Mills Limited | 1,876,816 | 1,876,816 |
| | 1,876,816 | 1,876,816 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

Goodwill has been assessed for impairment as part of the annual mandatory impairment testing in line with the requirements of the International Financial Reporting Standards. Goodwill was apportioned to identified Cash Generating Units (CGUs) expected to benefit from the respective business combinations on the basis of management expectation of the benefit to be derived from their synergies.

As at 31 March 2023, the adjusted carrying values of the assets of the CGUs to which the Goodwill was allocated were lower than their recoverable amounts, As a result, no impairment loss on Goodwill has been recognized (2022; Nil).

Goodwill has been allocated for impairment test purposes to the following cash-generating units:

- Flour Mills of Nigeria Plc.
- Premier Feed Mills Company Limited
- Nigerian Eagle Flour Mills Limited

**Cash Generating Units**

For identified CGUs, the recoverable amount of the cash generating units was determined based on a value in use calculation which uses cash flow projections based on five (5) year projections of current year free cash flows from operations and a weighted average cost of capital (WACC) of 19.7% - 21.3% per annum (2022: 11.70% - 13.70% per annum).

**Key forecast assumptions**

The key inputs and assumptions used in the value in use calculations for the cash generating units are as follows.

- Discount rate (WACC): 19.7% - 21.30% per annum (2022: 13.00% - 14.20% per annum)
- Net cash flow: The Net cash flow is based on 5-year forecast using 2023 as the base year.
- Terminal growth rate of 4 - 7.41%.
- Inflation rate: Inflation rate is based on forecast consumer price indices during the period for the country. An inflation rate of 21.91% has been applied for the current year (2022: 15.9%). The value assigned to the key assumption is consistent with external sources of information.

The discount rate was based on computed WACC using the Capital Asset Pricing Model (CAPM). The net cash flows were then discounted using this rate to estimate their present values inclusive of a terminal growth value discounted to its present value thereafter. The terminal growth rate was determined based on the average Gross Domestic Product (GDP) growth rate of Nigeria for the past three (3) Decades.

Revenue growth was projected taking into account the average growth levels experienced over the past five (5) years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

The estimated recoverable amounts of all CGU's exceeded their carrying amount in the period under review (2022; same). Management has identified that a reasonably possible change in one (1) key assumption, the discount rate of 13.9% utilized in the period under review could cause the carrying amount to exceed the recoverable amount. The following shows the amount in percentages by this key assumption would need to change per CGU for the estimated recoverable amount to equal the carrying amount:

FMN Company (20%), Nigerian Eagle Flour Mills (21%), Premier Feed Mills Company Limited (16%).

In the prior period, management had assessed that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of each CGU.

**Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)**

## 22 Investment in subsidiaries

(a) Investment in subsidiaries are stated at cost and analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **Unquoted** | **31-Mar-23 N '000** | **31-Mar-22 N '000** | **31-Mar-23 N '000** | **31-Mar-22 N '000** |
| Apapa Bulk Terminal Limited | - | - | 50,000 | 50,000 |
| Nigerian Eagle Flour Mills Limited | - | - | 510,000 | 510,000 |
| Crestview Towers Limited | - | - | 10,000 | 10,000 |
| FMN International Limited | - | - | 1,114,900 | 1,114,900 |
| Ecowise Horizon Investment Limited (Note 23) | - | - | 1,000 | - |
| Golden Penny Power Limited (Note 22 (a)(ii)) | - | - | 1,000 | - |
| Golden Fertilizer Company Limited (Note 22 (a)(iii)) | - | - | 38,807,193 | - |
| Golden Sugar Company Limited | - | - | 43,817,193 | 43,817,193 |
| | **-** | **-** | **84,311,286** | **45,502,093** |
| **Quoted** | | | | |
| Northern Nigeria Flour Mills Plc (Note 22 (a) (i))) | - | - | 903,441 | 303,441 |
| | - | - | 85,214,727 | 45,805,534 |
| Impairment | - | - | (50,000) | (50,000) |
| | **-** | **-** | **85,164,727** | **45,755,534** |

(I) During the year, the Company paid N600 million to acquire 11,446,591 units of shares held by Dantata Investment and Securities Limited in Northern Nigerian Flour Mills Plc.

(ii) During the year, the board of directors approved the transfer of the investment in Golden Fertilizer Company Limited from Golden Sugar Company Limited to Flour Mills of Nigeria Plc. Golden Fertilizer is in the business of fertilizer process and it serves as the holding company for the Agro- allied business under the Flour Mills Group.

(iii) **Incorporation of Golden Penny Power Limited**

During the year, the Company paid up N1 million for 2,000,000 ordinary shares of 50kobo each in Golden Penny Power Limited, a wholly owned subsidiary, incorporated in Nigeria to carry out the business of power generation, transmission and distribution. The group made a transfer of property, plant and equipment to Golden Penny Power Limited in the total amount of N8.1 billion at the book value from Golden Sugar Company Limited (N6.2 billion), Nigerian Eagle Flour Mills Limited (N1.1billion), and Premium Edible Oil Products Limited (N850 million).

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

(b)

| Shareholding in Subsidiaries | Ordinary Shares | 31-Mar-23 | 31-Mar-22 | Principal Activity |
|---|---|---|---|---|
| **Direct shareholding** | | | | |
| Apapa Bulk Terminal Limited | 380,000,000 ordinary shares of 50 kobo per shares | 100 | 100 | Port Operations |
| Ecowise Horizon Investment Limited (Note 23) | 1,000,000 ordinary shares of N1 per shares | 100 | - | Manufacturing of Investment |
| Golden Sugar Company Limited | 20,000,000 ordinary shares of 50 kobo per shares | 100 | 100 | sugar |
| Golden Penny Power Limited | 1,000,000 ordinary shares of N1 per shares | 100 | - | Power generation |
| Northern Nigeria Flour Mills Plc | 178,200,000 ordinary shares of 50 kobo per shares | 60 | 53 | Flour milling |
| Crestview Towers Limited | 20,000,000 ordinary shares of 50k each | 100 | 100 | Real estate |
| Nigerian Eagle Flour Mills Limited | 510,000,000 ordinary shares of N1 per shares | 51 | 51 | Flour milling |
| FMN International Limited | 200,000 ordinary shares of $10 each | 100 | 100 | Support services |
| **Indirect shareholding** | | | | |
| Servewell Agricultural Services Limited | 10,000,000 ordinary shares of 50k each | 100 | 100 | Silo storage services |
| Independent Grain Handling and Storage Limited | 10,000,000 ordinary shares of 50k each | 100 | 100 | Silo storage services |
| Upland Grains Production Company Limited | 10,000,000 ordinary shares of 50k each | 100 | 100 | Silo storage services |
| Premium Edible Oil Products Limited | 4,010,000,000 ordinary shares of 50k each | 100 | 100 | Manufacturing of edible oil. |
| Honeywell Flour Mills Plc | 7,930197,658 ordinary shares of 50 kobo per shares | 78 | - | Manufacturing of flour product |
| Greywise Investment Solutions Limited | 1,000,000 ordinary shares of N1 per shares | 100 | - | Investment |
| Best Chickens Limited | 20,000,000 ordinary shares of 50k each | 100 | 100 | Agriculture |
| Premier Feed Mills Company Limited | 50,000,000 ordinary shares of 50 kobo per shares | 62 | 62 | Livestock feeds |
| Golden Fertilizer Company Limited | 100,000,000 ordinary shares of N1 per shares | 100 | 100 | Agriculture |

The shareholdings in the subsidiaries above represent the Company's voting rights in the subsidiaries.

In prior years, the following dormant companies were liquidated - Iganmu Power Company Limited, Premier Poultry Processors Limited and Premier Chicks Limited. The share capital for these subsidiaries have not been issued or paid up by the Company. Other than FMN International Limited situated in Cyprus, the place of business of all the subsidiaries is Nigeria.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

(c) Movement in investment in subsidiaries

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N '000 | 31-Mar-22 N '000 | 31-Mar-23 N '000 | 31-Mar-22 N '000 |
| At 1 April | - | - | 45,755,534 | 62,258,329 |
| Additions in the year (Note 22 (a (i)and (iii))) | - | - | 602,000 | 1,114,900 |
| Transfers (Note 22 (a (ii))) | - | - | 38,807,193 | - |
| | - | - | 39,409,193 | 1,114,900 |
| Repayment of Quasi Equity | - | - | - | (17,591,695) |
| Derecognition due to merger | - | - | - | (26,000) |
| At 31 March | - | - | 85,164,727 | 45,755,534 |

During the year, investments in subsidiaries were assessed for impairment considering the future cashflows and net assets of each subsidiary. Impairment indicators were identified relating to the carrying value of the Company's investment in subsidiaries. For the purpose of impairment testing, the subsidiaries identified for impairment testing have been identified as a cash generating unit (CGU).

The recoverable amounts of the identified subsidiaries have been determined on a value-in-use basis.
The key inputs and assumptions used in the value in use calculations for the cash generating units are as follows:

- Discount rate (WACC): 19.7% - 21.30% per annum (2022: 13.00% - 14.20% per annum).
- Net cash flow: The Net cash flow is based on 5-year forecast using 2023 as the base year.
- Terminal growth rate of 4 - 7.41%.
- Inflation rate: Inflation rate is based on forecast consumer price indices during the period for the country. An inflation rate of 21.91% has been applied for the current year (2022: 15.9%). The value assigned to the key assumption is consistent with external sources of information.

The discount rate was based on computed WACC using the Capital Asset Pricing Model (CAPM). The net cash flows were then discounted using this rate to estimate their present values inclusive of a terminal growth value discounted to its present value thereafter. The terminal growth rate was determined based on the average Gross Domestic Product (GDP) growth rate of Nigeria for the past three (3) decades.

Revenue growth was projected taking into account the average growth levels experienced over the past five (5) years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

**(d) Subsidiaries with material non-controlling interests**

The following information is provided for subsidiaries with non controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations.

| | % Ownership interest held by non-controlling interest | |
|---|---|---|
| | 31-Mar-23 | 31-Mar-22 |
| Northern Nigeria Flour Mills Plc. | 40.4% | 47.0% |
| Honeywell Flour Mills Plc | 22.3% | 0.0% |
| Premier Feed Mills Company Limited. | 38.0% | 38.0% |
| Nigerian Eagle Flour Mills Limited | 49.0% | 49.0% |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

**31 March 2023**

| Summarised consolidated and separate statement of financial position In thousands of Naira | NCI percentage | Non current assets | Current assets | Total assets | Non current liabilities | Current liabilities | Total liabilities | Net assets | Carrying amount of non-controlling interest |
|---|---|---|---|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 40% | 7,622,627 | 10,111,407 | 17,734,034 | 883,665 | 10,008,950 | 10,892,615 | 6,841,419 | 2,768,038 |
| Premier Feeds Mills Company Limited | 38% | 30,196,186 | 31,615,286 | 61,811,472 | 8,054,033 | 39,140,006 | 47,194,039 | 14,617,433 | 5,554,625 |
| Honeywell Flour Mills Plc (note 23) | 22% | 83,463,437 | 78,753,163 | 162,216,600 | 80,519,978 | 60,559,241 | 141,079,219 | 21,137,381 | 6,687,508 |
| Nigerian Eagle Flour Mills Limited | 49% | 5,352,913 | 11,804,893 | 17,157,806 | 1,078,760 | 5,102,907 | 6,181,667 | 10,976,140 | 5,378,308 |
| **Total** | | 126,635,163 | 132,284,749 | 258,919,912 | 90,536,436 | 114,811,104 | 205,347,540 | 53,572,373 | 20,388,479 |
| Intra-group eliminations | | | | | | | | | (5,170,978) |
| Non-controlling interest per consolidated statement of financial position | | | | | | | | | 15,217,501 |

| Summarised statement of profit or loss and other comprehensive income In thousands of Naira | NCI % | Revenue | Profit/(loss) before tax | Tax expense | Profit/(loss) for the year | Other comprehensive income | Total comprehensive income | Profit/(loss) allocated to NCI | OCI attributable to NCI | Total comprehensive income attributable to NCI |
|---|---|---|---|---|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 40% | 16,161,840 | 544,163 | 15,763 | 559,926 | - | 93,424 | 226,210 | - | 226,210 |
| Premier Feeds Mills Company Limited | 38% | 81,048,659 | (2,906,485) | - | (2,906,485) | - | (2,906,485) | (1,104,464) | - | (1,104,464) |
| Honeywell Flour Mills Plc | 22% | 132,778,935 | (8,270,309) | (203,828) | (8,474,137) | - | (8,474,137) | (1,885,496) | - | (1,885,496) |
| Nigerian Eagle Flour Mills Limited | 49% | 40,009,485 | 5,169,785 | 4,761 | 5,174,546 | - | 5,174,546 | 2,535,528 | - | 2,535,528 |
| **Total** | | 269,998,919 | (5,462,846) | (183,304) | (5,646,150) | - | (6,112,652) | (228,222) | - | (228,222) |
| Intra-group eliminations | | | | | | | | | - | - |
| Total profit or loss allocated to non-controlling interest | | | | | | | | (228,222) | - | (228,222) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Summarised statement of cash flows In thousands of Naira | NCI percentage Cash flow | Cash flow operating activities | Cash flow investing activities | Cash flow financing activities | Net increase (decrease) in cash flow |
|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 40% | 1,209,107 | (159,280) | (250,146) | 799,681 |
| Premier Feeds Mills Company Limited | 38% | 9,392,060 | (1,753,171) | (10,185,685) | (2,546,796) |
| Honeywell Flour Mills Plc | 22% | (553,009) | (1,300,350) | (4,698,685) | (6,552,044) |
| Nigerian Eagle Flour Mills Limited | 49% | (8,271,130) | (579,423) | 8,643,149 | (207,404) |
| Total | | 1,777,028 | (3,792,224) | (6,491,367) | (8,506,563) |

On 12 May 2022, The group acquired 77.75% of the voting rights of Honeywell Flour Mills Plc (HFM) and HFM became a subsidiary from that date (see Note 23). Accordingly, the information relating to HFM is only for the period from 12 May 2022 to 31 March 2023.

31 March 2022

| Summarised consolidated and separate statement of financial position In thousands of Naira | NCI percentage | Non current assets | Current assets | Total assets | Non current liabilities | Current liabilities | Total liabilities | Net assets | Carrying amount of non-controlling interest |
|---|---|---|---|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 47% | 3,858,158 | 9,456,970 | 13,315,128 | 669,273 | 9,791,386 | 10,460,659 | 2,854,469 | 1,341,600 |
| Premier Feeds Mills Company Limited | 38% | 8,917,792 | 40,278,516 | 49,196,308 | 9,512,303 | 22,612,209 | 32,124,512 | 17,071,796 | 6,487,282 |
| Nigerian Eagle Flour Mills Limited | 49% | 5,902,026 | 28,178,947 | 34,080,973 | 22,222,834 | 6,091,269 | 28,314,103 | 5,766,870 | 2,825,766 |
| Total | | 18,677,976 | 77,914,433 | 96,592,409 | 32,404,410 | 38,494,864 | 70,899,274 | 25,693,135 | 10,654,649 |
| Intra-group eliminations | | | | | | | | | (1,896,433) |
| Non-controlling interest per consolidated statement of financial position | | | | | | | | | 8,758,216 |

The difference between the carrying amount of the non-controlling interest and the non-controlling interest's proportionate share of the net assets of the subsidiary is represented by goodwill.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Summarised statement of profit or loss and other comprehensive income In thousands of Naira | NCI % | Revenue | Profit/(loss) before tax | Tax expense | Profit for the year | Other comprehensive income | Total comprehensive income attributable | Profit allocated to NCI | OCI attributable to NCI | Total comprehensive income attributable to NCI |
|---|---|---|---|---|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 47% | 15,232,820 | 184,527 | (103,859) | 80,668 | 12,756 | 93,424 | 37,914 | 5,995 | 43,909 |
| Premier Feed Mills Company Limited | 38% | 103,914,977 | 1,154,432 | - | 1,154,432 | 34,640 | 1,189,072 | 438,684 | 13,163 | 451,847 |
| Nigerian Eagle Flour Mills Limited | 49% | 62,504,628 | 6,056,080 | (2,254,871) | 3,801,209 | 23,094 | 3,824,303 | 1,862,592 | 11,316 | 1,873,908 |
| Total Intra-group eliminations | | 181,652,425 | 7,395,039 | (2,358,730) | 5,036,309 | 70,490 | 5,106,799 | 2,339,191 | 30,475 | 2,369,665 |
| Total profit or loss allocated to non-controlling interest | | | | | | | | 2,339,191 | 30,475 | 2,369,665 |

| Summarised statement of cash flows In thousands of Naira | NCI percentage Cash flow | Cash flow operating activities | Cash flow investing activities | Cash flow financing activities | Net increase (decrease) in cash flow |
|---|---|---|---|---|---|
| Northern Nigeria Flour Mills Plc | 47% | 2,271,879 | (514,610) | (1,316,333) | 440,936 |
| Premier Feed Mills Company Limited | 38% | 9,392,060 | (1,753,171) | (10,185,685) | (2,546,796) |
| Nigerian Eagle Flour Mills Limited | 49% | (8,271,130) | (579,423) | 8,643,149 | (207,404) |
| Total | | 3,392,809 | (2,847,204) | (2,858,869) | (2,313,264) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 23 Business Combination - Incorporation of Ecowise Horizon Investment Limited and Acquisition of Honeywell Flour Mills Plc

Ecowise and Greywise were incorporated as special purpose vehicles used for the acquisition of 77.75% of the voting right in Honeywell Flour Mills Plc.

On 12 May 2022, Flour Mills of Nigeria Plc (FMN), through the above-named special purpose vehicles, acquired 77.75% of the voting rights of Honeywell Flour Mills Plc (HFM), a manufacturer and marketer of wheat-based products including flour, semolina, whole wheat meal, noodles and pasta.

The voting rights are indirectly held through Ecowise Horizon Investment Limited and Greywise Investment Solutions Limited, a subsidiary and affiliate of FMN respectively.

The transaction was entered into as part of FMN's global growth strategy, to create a stronger and more resilient national champion for Nigeria and further enhance food security. The transaction will combine the strategic talents that are unique to each company, enhance customer's access to a wider range of innovative products and enable FMN expand its group operations.

Details of the purchase consideration are as follows:

| | N'000 |
|---|---|
| Purchase consideration | 25,895,871 |
| Total purchase consideration | 25,895,871 |

N3.08 billion of the purchase consideration is currently held in escrow in accordance with the sale and purchase agreement. This amount will be utilised to offset any warranties as outlined in the agreement and may be payable in cash.

Acquisition-related costs of N576 million (2022: N554 million) are included in legal and professional fees under administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows. The total amount of acquisition related costs is N1.13 billion.

The fair value assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair value N'000 |
|---|---|
| Property, plant and equipment | 85,707,600 |
| Right of use asset | 947,083 |
| Intangible assets | 317,261 |
| Intangible assets: customer relationships | 4,418,741 |
| Intangible assets: brand names | 8,876,453 |
| Inventories | 42,387,036 |
| Trade and other receivables | 885,020 |
| Prepayments | 2,971,986 |
| Cash and cash equivalents | 20,150,572 |
| Borrowings | (81,505,169) |
| Lease liabilities | (876,467) |
| Deferred tax | (15,045,906) |
| Trade and other payables | (12,812,481) |
| Current tax liabilities | (814,750) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| | |
|---|---|
| Net identifiable assets acquired | 55,606,979 |
| Less: non-controlling interests (measured at fair value of the recognised identifiable net assets)* | (6,687,508) |
| Net assets acquired | 48,919,471 |

*The fair value of the non-controlling interests as at the acquisition date has been determined by multiplying the number of shares held by non-controlling interests by the prevailing market price of an Honeywell Flour Mills Plc share as at 12 May 2022 being N3.79.

**Gain on bargain purchase**

Gain on bargain purchase arising from the acquisition has been recognised as follows:

| | N'000 |
|---|---|
| Consideration transferred | 25,895,871 |
| Non-controlling interest in the acquiree | 6,687,508 |
| Fair value of identifiable net assets | (55,606,979) |
| | (23,023,600) |

The entity has made a gain on bargain purchase of N23.02 billion which is included in other income. The gain on bargain purchase has arisen due to FMN controlling 77.75% of the voting rights but only having transferred 48.70% of the total purchase consideration in line with FMN's equity participation rights.

**Acquired receivables**

The fair value of acquired trade receivables is N755.3 million. The gross contractual amount for trade receivables due is N1.17 billion, with a loss allowance of N414.2 million recognised on acquisition.

**Revenue and profit contribution**

The acquired business contributed revenues of N132 billion and net loss of N8.2 billion to the Group for the period from 12 May 2022 to 31 March 2023. If the acquisition had occurred on 1 April 2022, consolidated pro-forma revenue and loss for the year ended 31 March 2023 would have been N147 billion and N9 billion respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 April 2022, together with the consequential tax effects.

**Indemnification asset**

An indemnification asset amounting to N3.76 billion has been recognised in the consolidated financial statements at the acquisition date, in connection with liability assumed from the acquisition of Honeywell Flour Mills Plc. The liability represents principal and interest of outstanding loan owed by Honeywell to Ecobank Nigeria Limited, its banker. The seller of Honeywell agreed to indemnify Flour Mills of Nigeria Plc of any liability arising from the acquisition in connection with the debt owed to the bank.

**Indemnification liability**

An amount of N3.76 billion has been recognised as a contingent liability in connection with the liability assumed from the acquisition of Honeywell Flour Mills Plc. This amount has been disclosed in the financial statement due to the fact that there has been a final judgment at the Supreme Court within the measurement date, which indicates that Honeywell is liable to its bankers.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 24 Other Investments

Investments held by the Group which are measured at fair value, excluding derivatives are as follows:

**Equity instruments at fair value through other comprehensive income**
The specific investments which are measured at fair value through other comprehensive income are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| **Quoted equity investments** | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Transnational Corporation Plc | 127,500 | 127,500 | 127,500 | 127,500 |
| Net fair value loss | (80,240) | (93,500) | (80,240) | (93,500) |
| | 47,260 | 34,000 | 47,260 | 34,000 |
| | **47,260** | **34,000** | **47,260** | **34,000** |

The Group's investment in Transnational Corporation Plc was fair valued using the market price of N1.39 per share (2022: N1) as at year end which resulted in fair value increase of N13.2 million (2022: fair value increase of N5.1 million). The fair value changes have been recognised in other comprehensive income with no income tax impact. The valuations have been categorised as Level 1 in the fair value hierarchy as there are no unobservable input to the valuation. The valuation was done on the same basis as in prior year and there has been no transfers between levels during the year.

The Group designated the equity securities at FVOCI because the equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

### 25 Biological asset

| | Livestock (a) N'000 | Oil palm (b) N'000 | Cassava (c) N'000 | Sugar cane (d) N'000 | Total N'000 |
|---|---|---|---|---|---|
| Balance at 1 April 2021 | 30,930 | 60,094 | - | 316,343 | 407,369 |
| Addition | 8,160 | 1,509,279 | 41,123 | 2,751,160 | 4,309,722 |
| Fair value gain/(loss) due to remeasurement | 47,565 | 64,847 | 37,131 | (720,996) | (571,453) |
| Harvested during the year | (13,180) | (1,542,246) | - | (1,759,652) | (3,315,078) |
| **Balance at 31 March 2022** | **73,475** | **91,974** | **78,254** | **586,855** | **830,559** |
| Balance at 1 April 2022 | 73,475 | 91,974 | 78,254 | 586,855 | 830,559 |
| Additions | 8,375 | 177,869 | 11,184 | 5,829,822 | 6,027,250 |
| Fair value gain/(loss) due to remeasurement | 27,914 | 12,219 | 5,192 | (1,344,967) | (1,299,642) |
| Harvested during the year | (55,266) | (207,970) | (7,214) | (4,566,945) | (4,837,395) |
| **Balance at 31 March 2023** | **54,498** | **74,092** | **87,416** | **504,765** | **720,772** |

| | 31-Mar-23 | 31-Mar-22 |
|---|---|---|
| Analysed into: | ₦'000 | ₦'000 |
| Current | 666,274 | 757,085 |
| Non-current | 54,498 | 73,474 |
| | **720,772** | **830,559** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

(a) Livestock relates to poultry used for poultry eggs production at Best Chickens Limited and are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that will be necessary to sell the assets. The fair value of livestock is determined based on valuation using the market prices of livestock of similar age, breed and generic merit.

(b) Oil palm refers to growing fresh fruit bunches at Premium Edible Oil Products Limited and are stated at fair value less cost-to-sell with any resultant gain or loss recognised in profit or loss. Selling costs include all costs that would be necessary to sell the fresh fruit bunches (including cost of harvest). The fair value is determined based on valuation using the market prices of fresh fruit bunches per tonne of similar weight and quality. Oil Palm trees are classified as bearer plants (See Note 18).

(c) Cassava is cultivated at Premium Cassava Products Limited (a division of Golden Sugar Company) and the harvested cassava tubers are used for starch extraction and production of high quality cassava flour. They are stated at fair value less estimated cost-to-sell. Cost-to-sell include costs that would be necessary to sell the cassava tubers (including the cost of harvest). Fair value is determined based on valuation using market prices per tonne of cassava tubers of similar weight and quality, adjusted for stage of maturity.

(d) Growing sugarcane refers to sugarcane plants at the plantation owned by Golden Sugar Company Limited. The initial sugarcane suckers has a cane-production life of seven years (See Note 18). The cost of the suckers, the related land preparation cost and other directly associated cost such as those of fertilizer have been capitalised as bearer plants and are being depreciated over seven years. The canes which are harvested from the suckers annually for sugar milling are classified as biological assets. The biological assets are carried at fair value less estimated cost to sell. The fair value is based on market prices of sugarcane per tonne and stage to maturity.

**Methods and assumptions used in determining fair value**

Fair value is determined using market-based evidence by appraisal. Valuation of biological assets is carried out at sufficient regularity to identify any material movement and any material differences are adjusted accordingly to ensure that the carrying value of the assets does not differ materially from the fair values determined as at the reporting date.

**Measurement of fair values**

Fair value hierarchy
The fair value measurement for the oil palm fresh fruit bunch, livestock, sugarcane and cassava have been categorised as Level two fair values based on observable market sales data inputs.

The following table shows the valuation techniques used in measuring fair values as well as the valuation variables used:

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Type | Valuation techniques | Valuation variables | Inter-relationship between key valuation variables and fair value measurement |
|---|---|---|---|
| Oil Palm | Market comparison technique: The fair values are based on market price per tonne of similar palm fruit bunches adjusted for age of maturity. | Estimated plantation size 1,497 hectares (2022: 1,513 hectares) Estimated market price per tonne N158,281 (2022: N130,227)Number of trees 166,840 (2022:168,769).Estimated yield per tree 5 bunches per year (2022: 5).Estimated cost to sell per bunch N361 (2022: N229). | The estimated fair value would increase/(decrease) if:<br>a. the estimated price per tonne of fresh fruit bunch were higher/(lower).<br>b. If the estimated yield per tree were higher/(lower).<br>c. If the estimated cost to sell were lower/(higher) |
| Livestock | Market comparison technique: The fair values are based on market price of livestock of similar age, weight and breed. | Estimated number of birds as at 2023:23,883 (2022:31,482).Average age ranges between 18 and 88 weeks. Average price per bird is N2,300(2022: N2,334). | The estimated fair value would increase/(decrease) if:<br>a. the estimated price per birds were higher/(lower)<br>b. the estimated number of bird swere higher/ (lower) |
| Cassava | Market comparison technique: The fair values are based on market price per tonne of cassava tubers of similar quality. | Estimated hectares of cultivated land in the year was 433 hectares (2022: 189.23 hectares). Also the estimated yield per hectare was 7.54 metric tonnes (2022: 10.52 tonnes). Estimated market price N43,000 per metric tonne (2022: N40,000 per metric tonne). | The estimated fair value would increase/(decrease) if:<br>a. the estimated price per tonne were higher/ (lower)<br>b. the estimated yield per hectare were higher/(lower) |
| Sugarcane | Market comparison technique: The fair values are based on market price of similar cane sugar per tonne adjusted for estimated cost to sell and discounted for stage of maturity. | Estimated plantation size 2,856hectares (2022: 2,447 hectares)Estimated market price per metric tonne is N27,000 per metric tonnes (2022: N16,000 per metric tonnes).Estimated yield per hectare 70metric tonnes (2022: 65 metric tonnes). | The estimated fair value wouldincrease/ decrease if:<br>(a) Price per metric tonne werehigher/ (lower)<br>(b) Estimated yield per hectare werehigher/ (lower). |

**Risk management strategy related to agricultural activities**

The Group is exposed to the following risks relating to its biological assets:

**a Regulatory and environmental risks**

The Group is subject to laws and regulations in the states in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### a Supply, demand and yield risks

The Group is exposed to risks arising from fluctuations in the prices of agricultural produce, birds and seedlings for cultivation as well as yield volumes. When possible, the Group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing. The Group manages yield volume risks by employing latest technology and sourcing for optimally viable seedlings.

### b Climate, disease and risks

The Group's biological assets are exposed to the risks of damage from climatic conditions, diseases, forest fires and other natural forces. The Group has processes in place aimed at monitoring and mitigating those risks, including insurance, regular health inspections for the poultry, poultry vaccinations, use of environmentally friendly pesticides for the crops and leveraging on industry pest and disease surveys as well as other agricultural best practices.

## 26 Long term loans and receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Premium Edible Oil Products Limited | - | - | - | 1,796,176 |
| Port Harcourt Flour Mills Limited | 166,974 | 166,974 | - | - |
| Premier Feeds Mills Company Limited | - | - | - | 956 |
| Golden Sugar Company Limited | - | - | 12,836,775 | 46,016,421 |
| Golden Fertilizer Company Limited | - | - | 8,058,88 | 651,101 |
| Nigerian Eagle Flour Mills Limited | - | - | - | 21,480,689 |
| Independent Grain Handling and Storage Limited | - | - | - | 570,016 |
| Servewell Agricultural Services Limited | - | - | - | 576,970 |
| Upland Grains Production Company Limited | - | - | - | 560,292 |
| Honeywell Flour Mills Plc | - | - | 1,100,609 | - |
| Receivable from ABCML | 43,534 | 37,551 | - | - |
| Impairment of Long term receivables | (166,974) | (166,974) | (1,142,726) | (1,690,285) |
| **Total long term loans and receivables** | **43,534** | **37,551** | **20,853,541** | **69,962,336** |

### Credit quality on long term receivables

The Company granted intercompany loans with a carrying amount of N20.8 billion as at 31 March 2023 (2022: N69.96 billion) to related parties within the Group. The loan are receivable in tranches within seven years, with the possibility of early refund (partial; or whole) with 30 days notice, without penalty payments and the loans are unsecured. The Company and the Group are faced with the risk that there might be a shortfall in the repayment of these receivables. Adequate agreements are put in place as well as ensuring that the business activities of these entities are monitored closely on a monthly basis and interest are charged based on the weighted average cost of group borrowing facilities.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Movement in Long term receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Opening balance | 37,551 | 38,852 | 69,962,336 | 62,423,085 |
| Additions during the year | 6,887 | - | 111,259,003 | 314,672,741 |
| Transfer from trade and other receivables | - | - | - | 790,078 |
| | 44,438 | 38,852 | 181,221,339 | 377,885,904 |
| Repayments in the year | (904) | (1,301) | (160,915,357) | (310,978,887) |
| Writeback/(impairment loss) in the year | - | - | 547,559 | 3,055,319 |
| | 43,534 | 37,551 | 20,853,541 | 69,962,336 |

### 27 Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Raw materials and components | 222,759,605 | 207,269,576 | 86,141,446 | 101,949,196 |
| Work in progress | 13,456,234 | 13,325,177 | 5,254,552 | 5,474,955 |
| Finished goods | 30,752,760 | 17,655,561 | 16,753,825 | 10,855,435 |
| Consumable stores and maintenance spares | 73,064,509 | 50,270,719 | 45,801,702 | 37,531,307 |
| | 340,033,108 | 288,521,033 | 153,951,525 | 155,810,893 |
| Inventories (write-downs) | (3,658,468) | (4,058,212) | (2,025,899) | (330,523) |
| | 336,374,640 | 284,462,821 | 151,925,626 | 155,480,370 |

The cost of inventories recognised as an expense during the year in the Group was N1.26 trillion (2022: N960 billion), while in the Company it was N773 billion (2022: N717 billion).

Inventory write down during the period for the Group was N4.52 billion (2022: N4.06 billion), Company N2.29 billion (2022: N330 million). This has been recognised in the cost of sales.

### 28 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Trade receivables | 37,108,984 | 32,627,216 | 20,020,541 | 16,024,769 |
| Trade receivables - related parties net (Note 43) | - | - | 64,460,191 | 17,476,627 |
| Impairment allowance on trade receivables | (4,185,485) | (3,719,785) | (2,880,779) | (2,495,709) |
| Trade receivables at amortised cost | 32,923,499 | 28,907,431 | 81,599,953 | 31,005,687 |
| Staff debtors | 3,610,006 | 3,133,172 | 2,653,986 | 2,498,920 |
| Sundry debtors* | 10,936,053 | 7,860,327 | 13,563,173 | 10,277,827 |
| Total trade and other receivables | 47,469,558 | 39,900,930 | 97,817,112 | 43,782,434 |

*Sundry debtors relate mainly to Group and Company's withholding tax of N2.9 billion and N428 million (2022: N2.6 billion and N695 million) respectively. Also included in sundry debtors is an amount of N9.0 billion (2022: N5.0 billion) relating to Company's dividend receivable from subsidiaries .

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Exposure to credit risk

The average credit period on sale of goods is 30 days. The Group uses an allowance matrix to measure the Expected Credit Losses (ECLs) of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Roll rates are calculated using the age of outstanding receivables and historical loss rates. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate and Gross Domestic Product (GDP) of Nigeria to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor. Scalar factor of 1.00 (2022: 1.00) applied are based on inflation, exchange forecasts and national economic outlook.

The Group has recognised an allowance for doubtful debts of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 30 and 365 days based on the determined loss rate per age bracket.

Before accepting a new customer the Group initially trades with the customer on a cash basis to assess the customer's ability and also determine the customer's transaction volumes. This enables a reasonable credit limit to be set. Once these are determined the customer is then allowed to apply for a credit facility from the Company through a rigorous process with several levels of approval. Also certain categories of credit customers provide bank guarantees before being accepted as credit customers of the Group.

Credit sales form a small portion of overall sales (2%). The concentration of credit risk is limited due to this fact and the large and unrelated customer base. The Group has pledged no trade receivables during the year.

### Group

| | | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-22 ₦'000 |
|---|---|---|---|---|---|---|---|
| | Credit impaired | Weighted average loss rate | Weighted average loss rate | Gross carrying amount | Loss allowance (Lifetime expected credit loss) | Gross carrying amount | Loss allowance (Lifetime expected credit loss) |
| 1-30 days | No | 5% | 5% | 27,939,830 | 1,397,378 | 24,689,969 | 1,241,898 |
| 31-60 days | No | 8% | 8% | 4,997,789 | 383,408 | 4,417,895 | 340,748 |
| 61 -90 days | No | 24% | 24% | 1,239,429 | 294,764 | 1,095,618 | 261,967 |
| 91-180 | No | 34% | 34% | 1,111,867 | 374,729 | 982,857 | 333,034 |
| 181-365 | No | 40% | 40% | 141,697 | 56,834 | 125,256 | 50,511 |
| Over 365 days | Yes | 100% | 100% | 1,678,372 | 1,678,372 | 1,491,627 | 1,491,627 |
| | | | | **37,108,984** | **4,185,485** | **32,803,220** | **3,719,785** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Company

| | Credit impaired | 31-Mar-23 ₦'000 Weighted average loss rate | 31-Mar-22 ₦'000 Weighted average loss rate | 31-Mar-23 ₦'000 Gross carrying amount | 31-Mar-23 ₦'000 Loss allowance (Lifetime expected credit loss) | 31-Mar-22 ₦'000 Gross carrying amount | 31-Mar-22 ₦'000 Loss allowance (Lifetime expected credit loss) |
|---|---|---|---|---|---|---|---|
| 1-30 days | No | 5% | 5% | 14,011,469 | 648,105 | 11,268,380 | 561,474 |
| 31-60 days | No | 13% | 14% | 2,356,361 | 313,293 | 1,906,785 | 271,415 |
| 61 -90 days | No | 23% | 25% | 1,234,049 | 286,512 | 998,602 | 248,214 |
| 91-180 | No | 33% | 35% | 1,163,350 | 384,037 | 941,392 | 332,703 |
| 181-365 | No | 81% | 86% | 33,303 | 26,823 | 26,949 | 23,238 |
| Over 365 days | Yes | 100% | 100% | 1,222,009 | 1,222,009 | 1,058,664 | 1,058,664 |
| | | | | **20,020,541** | **2,880,779** | **16,200,773** | **2,495,709** |

**Reconciliation of expected loss allowances**

The following table shows the movement in the loss allowance (lifetime expected credit losses) for intercompany and trade receivables and 12 months expected credit loss for loan receivables:

**Group 2023**

| | Long term receivable ₦'000 | Trade receivable ₦'000 | Total ₦'000 |
|---|---|---|---|
| Opening balance | 166,974 | 3,719,785 | 3,886,759 |
| Arising from business combination | - | (1,043,808) | (1,043,808) |
| Impairment loss | - | 1,509,508 | 1,509,508 |
| Closing balance | 166,974 | 4,185,485 | 4,352,459 |

**Company 2023**

| | Intercompany receivable N'000 | Long term receivables N'000 | Trade receivables N'000 | Total N'000 |
|---|---|---|---|---|
| Opening balance | 358,904 | 1,690,285 | 2,495,708 | 4,544,897 |
| Impairment loss/(write- back) | 85,673 | (547,559) | 385,071 | (76,816) |
| Closing balance | 444,577 | 1,142,726 | 2,880,779 | 4,468,081 |

**Group 2022**

| | Long term receivables ₦'000 | Trade receivables ₦'000 | Total ₦'000 |
|---|---|---|---|
| Opening balance | 166,974 | 4,134,993 | 4,301,967 |
| Impairment loss/(write- back) | - | (415,208) | (415,208) |
| Closing balance | 166,974 | 3,719,785 | 3,886,759 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| | Intercompany receivable | Long term receivables | Trade receivables | Total |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Opening balance | 259,287 | 4,745,604 | 2,672,306 | 7,677,197 |
| Impairment loss | 99,617 | (3,055,319) | (176,598) | (3,132,300) |
| Closing balance | 358,904 | 1,690,285 | 2,495,708 | 4,544,897 |

### 29 Derivatives

Refer to Note 47 fair value information for details of valuation policies and processes. Refer to Financial instruments and risk management for further details.

**Group**

| | 31-Mar-23 | | 31-Mar-22 | |
|---|---|---|---|---|
| | Assets ₦'000 | Liabilities ₦'000 | Assets ₦'000 | Liabilities ₦'000 |
| Foreign exchange futures contracts-Forwards | - | 2,942,620 | 84,480 | 1,898,421 |
| | - | 2,942,620 | 84,480 | 1,898,421 |

**Company**

| | 31-Mar-23 | | 31-Mar-22 | |
|---|---|---|---|---|
| | Assets ₦'000 | Liabilities ₦'000 | Assets ₦'000 | Liabilities ₦'000 |
| Foreign exchange futures contracts-Forwards | - | 2,088,559 | 84,480 | 1,898,421 |
| | - | 2,088,559 | 84,480 | 1,898,421 |

There are no significant unobservable inputs, thus the valuation is categorised as level 2 in the fair value hierarchy. Holding all other variables constant, a change by 100 basis point in exchange rates will result in the following variations in the derivative assets and liabilities.

**Group**

| | 31-Mar-23 | | 31-Mar-22 | |
|---|---|---|---|---|
| | Assets ₦'000 | Liabilities ₦'000 | Assets ₦'000 | Liabilities ₦'000 |
| Base derivative asset/(liabilities) | - | (2,942,620) | 84,480 | (1,898,421) |
| | - | (2,942,620) | 84,480 | (1,898,421) |

| | Derivative forward net | Derivative futures net liability | Derivative forward net | Derivative futures net liability |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| 100 basis point increase in NIBOR rates | - | (2,957,458) | 84,906 | 97,538 |
| 100 basis point increase in USD LIBOR rates | - | (2,938,719) | 84,368 | 96,920 |
| 100 basis point increase in NIBOR rates | - | (2,927,782) | 84,054 | 96,560 |
| 100 basis point increase in USD LIBOR rates | - | (2,946,521) | 84,592 | 97,178 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Company

| | 31-Mar-23 | | 31-Mar-22 | |
|---|---|---|---|---|
| | Assets ₦'000 | Liabilities ₦'000 | Assets ₦'000 | Liabilities ₦'000 |
| | - | (2,088,559) | 84,480 | (1,898,421) |
| Base derivative asset/(liabilities) | - | (2,088,559) | 84,480 | (1,898,421) |

| | Derivative forward net | Derivative futures net liability | Derivative forward net | Derivative futures net liability |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| 100 basis point increase in NIBOR rates | - | (2,098,616) | 84,887 | 1,907,559 |
| 100 basis point increase in USD LIBOR rates | - | (2,086,107) | 84,381 | 1,896,186 |
| 100 basis point increase in NIBOR rates | - | (2,078,517) | 84,074 | 1,889,286 |
| 100 basis point increase in USD LIBOR rates | - | (2,091,026) | 84,580 | 1,900,662 |

The Group and Company's derivative asset and liability represents the fair value of Forward contracts with the intention of hedging against exchange rate volatility of foreign payables from various vendors. At the end of the year, the Group and Company had a total foreign currency payable of USD 96 million (2022: USD154.6 million).

The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months and, as a current asset or liability, if the maturity of derivative is less than 12 months.

The fair value of the futures and forward contracts have been determined using market-related input as follows:

*Exchange rate of N561/ USD
*Average discount rate of 7.64% determined based on the NIBOR and LIBOR rates.

*The value of the forward is the discounted value of the cash flow to be obtained using the difference between the strike price and the estimated foreign exchange rate at maturity date.

## 30 Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Deposit for imports (Letters of credit) | 131,489,455 | 27,274,536 | 125,642,327 | 25,939,887 |
| Deposit for FX relating to forward and futures contracts | 53,775,923 | 9,219,302 | 17,833,104 | 9,219,120 |
| Advance payment to suppliers | 31,567,363 | 14,191,647 | 19,542,369 | 8,060,479 |
| Prepaid rent on operating premises* | 212,042 | 170,103 | 164,597 | 108,150 |
| Prepaid expenses** | 11,028,301 | 4,434,101 | 6,409,746 | 3,698,362 |
| | 228,073,084 | 55,289,689 | 169,592,143 | 47,025,998 |
| Analysed into: | | | | |
| Current | 228,073,084 | 55,289,689 | 169,592,143 | 47,025,998 |
| Non-Current | - | - | - | - |
| | 228,073,084 | 55,289,689 | 169,592,143 | 47,025,998 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

*Prepaid rent represents advance payment on short term leases.

**Prepaid expenses comprises of prepaid insurance premium, and prepaid IT expenses.

The Company made a payment of N31.3billion which it anticipates will be treated as a prepayment. The amount was charged to profit or loss by year end as per Note 16.

### 31 Cash and cash equivalents

Cash and cash equivalents consist of:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Cash on hand | 966,470 | 1,098,441 | 898,055 | 958,990 |
| Bank balances and fixed deposits | 96,735,559 | 30,522,980 | 66,268,998 | 19,314,892 |
| Cash and cash equivalents per statement of financial position | 97,702,029 | 31,621,421 | 67,167,053 | 20,273,882 |
| Bank overdraft | (32,806,764) | (9,937,833) | (20,191,541) | (4,563,004) |
| Cash and cash equivalents per statement of cashflows | 64,895,265 | 21,683,588 | 46,975,512 | 15,710,878 |

Cash and cash equivalents comprise cash and bank balances, net of outstanding bank overdrafts. The carrying amount of these assets approximate their fair values due to their short term nature. See note 46 for additional information on exposure to credit and currency risk.

Included in cash and cash equivalents are short term deposits for unclaimed dividends amounting to N4.04 billion (2022: N3.48 billion) for the Company.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 32 Cash generated from(used in) operations profit for the year

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Profit for the year | | 29,504,285 | 28,015,226 | 14,173,904 | 21,819,816 |
| **Adjustments for:** | | | | | |
| Depreciation | 18 | 24,882,238 | 22,098,245 | 13,853,626 | 12,069,677 |
| Amortisation of intangible assets | 20 | 340,033 | 372,131 | 234,247 | 299,993 |
| Depreciation of investment property | 19 | 105,110 | 105,110 | 2,055 | 2,054 |
| Gain on loan modification | 34 | 3,572,570 | (3,172,787) | 969,253 | (1,219,568) |
| Losses/(gains) on disposals of property, plant and equipment | 8 | 195,838 | 50,362 | 199,604 | (8,494) |
| Depreciation of ROU assets | 41 | 2,087,670 | 1,888,683 | 420,061 | 394,355 |
| Net losses/ (gain) on foreign exchange | 8 | 22,570,929 | 4,906,931 | 7,037,515 | 3,560,393 |
| Investment income | 12 | (717,611) | (1,086,420) | (13,178,025) | (12,778,485) |
| Finance costs | 13 | 55,725,721 | 25,481,623 | 29,213,926 | 15,195,572 |
| Fair value loss/(gain) on biological assets | 24 | 1,299,642 | 571,454 | - | - |
| Fair value loss/(gain) on derivatives | 8 | 2,807,026 | (389,420) | 1,954,707 | (321,799) |
| Provision for retirement benefit obligations | 34 | 2,423,527 | 2,312,306 | 1,798,047 | 1,802,449 |
| Write-off/impairment of property plant and equipment | 18 | (670,703) | 166,252 | (795,534) | 220,915 |
| Income tax charge/(credit) | 14 | 10,278,323 | 11,200,392 | 18,078,901 | 7,929,013 |
| Provision for long service award | 35 | 866,623 | 126,347 | 412,857 | 128,521 |
| Reversal of impairment on long term loans and trade receivables | 28 | (1,509,508) | 415,208 | (76,816) | (3,132,300) |
| Minimum tax | 14 | 2,969,506 | 1,902,530 | - | - |
| | | 156,731,219 | 94,964,173 | 74,298,328 | 45,962,112 |
| **Changes in working capital:** | | | | | |
| Inventories | | (51,911,819) | (89,013,785) | 3,554,744 | (78,500,242) |
| Trade and other receivables | | (9,714,668) | (18,915,976) | (57,240,260) | (24,454,494) |
| Prepayments | | (172,783,395) | (8,624,785) | (122,566,145) | (14,168,436) |
| Trade and other payables | | 158,131,714 | 72,309,139 | 86,075,298 | 72,084,627 |
| Deferred income | | 12,697,394 | 6,919,604 | (2,409,728) | 3,334,103 |
| Contract liabilities | | 19,477,303 | (10,646,852) | 10,817,210 | (4,881,684) |
| Derivative assets | | 84,480 | 926,720 | 84,480 | 859,099 |
| Derivative liability | | (1,762,827) | 1,801,372 | (1,764,569) | 1,849,099 |
| | | 110,949,401 | 49,719,610 | (9,150,642) | 2,084,184 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

(a) The changes in property, plant and equipment have been adjusted for transfers to leases, intangible assets, and fixed assets transferred to related parties as disclosed in Note 1.

(b) The changes in trade and other receivables for the Company has been adjusted for transfer to long term receivables and loans converted to equity as disclosed in Note 26. Also, changes in trade and other receivables for the Group and Company have been respectively adjusted for withholding tax utilized as disclosed in Note 14.

© The changes in inventory for the Group has been adjusted for biological assets harvested during the year as disclosed in Note 25.

(d) The changes in derivative asset for the Group and Company has been adjusted for fair value gains disclosed in Note 8.

(e) The changes in trade and other payables for the Company have been adjusted for related party transfers of retirement benefit obligations and long service awards as disclosed in Note 35 and Note 36 respectively.

(f) Included in the proceeds from loans and borrowings are transaction costs related to loans and borrowings.

### Reconciliation of movements of liabilities to cash flows arising from financing activities

| | | Loans and borrowings | Lease liabilities | Dividend payable | Total |
|---|---|---|---|---|---|
| **Group** | | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Balance as at 1 April 2022 | | 148,827,642 | 17,654,283 | 2,804,900 | 169,286,825 |
| **Changes from financing cash flows** | | | | | |
| Proceeds from borrowings | 34 | 266,020,282 | - | - | 266,020,282 |
| Repayment of borrowings | 34 | (68,729,197) | - | - | (68,729,197) |
| Repayment of lease liabilities | 42 | - | (3,000,330) | - | (3,000,330) |
| Dividend paid | 39 | - | - | (11,097,290) | (11,097,290) |
| **Total changes from financing cash flows** | | **197,291,085** | **(3,000,330)** | **(11,097,290)** | **183,193,465** |
| **Other changes** | | | | | |
| Gain on loan modification | | 3,572,570 | - | - | 3,572,570 |
| Foreign exchange difference | | - | 413,115 | - | 413,115 |
| New leases | | - | 846,348 | - | 846,348 |
| Interest expense | | - | 1,837,854 | - | 1,837,854 |
| Dividend declared during the year | | - | - | 8,815,850 | 8,815,850 |
| Unclaimed dividend transferred to reserve | | - | - | (6,958) | (6,958) |
| **Total liability-related other changes** | | **3,572,570** | **3,097,317** | **8,808,892** | **15,478,779** |
| Balance as at 31 March 2023 | | 349,691,297 | 17,751,270 | 516,502 | 367,959,069 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Company | | Loans and borrowings | Lease liabilities | Dividend payable | Total |
|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1 April 2022 | | 90,598,826 | 590,079 | 2,804,900 | 93,993,805 |
| Changes from financing cash flows | | | | | |
| Proceeds from borrowings | 34 | 125,257,011 | - | - | 125,257,011 |
| Repayment of borrowings | 34 | (24,659,130) | - | - | (24,659,130) |
| Repayment of lease liabilities | 42 | - | (285,566) | - | (285,566) |
| Dividend paid | 39 | - | - | (11,097,291) | (11,097,291) |
| Total changes from financing cash flows | | 100,597,881 | (285,566) | (11,097,291) | 89,215,024 |
| Other changes | | | | | |
| Gain on loan modification | | 969,253 | - | - | 969,253 |
| New leases | | - | 86,086 | - | 86,086 |
| Interest expense | | - | 56,774 | - | 56,774 |
| Dividend declared during the year | | - | - | 8,815,850 | 8,815,850 |
| Unclaimed dividend transferred to reserve | | - | - | (6,958) | (6,958) |
| Total liability-related other changes | | 969,253 | 142,860 | 8,808,892 | 9,921,005 |
| Balance as at 31 March 2023 | | 192,165,960 | 447,373 | 516,502 | 193,129,834 |

### 33 Share capital

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| | N'000 | N'000 | N'000 | N'000 |
| **(a) Authorised** | | | | |
| 4,100,395,606 (2022:5,000,000,000) ordinary shares of 50 kobo each | 2,050,197 | 2,500,000 | 2,050,197 | 2,500,000 |

* In compliance with section 124 of the Companies and Allied Matters Act, 2020 (as amended) and Regulation 13 of the Companies Regulation 2021, shareholders authorized and approved the cancellation of 899,604,394 units of unissued shares of 50k each (N449.8 million) which comprised of the total number of unissued shares in share capital of the Company.

| | Group 31-Mar-23 | Group 31-Mar-22 | Company 31-Mar-23 | Company 31-Mar-22 |
|---|---|---|---|---|
| **(b) Issued and fully paid:** | | | | |
| 4,100,395,606 (2022:4,100,395,606) ordinary shares of 50 kobo each | 2,050,197 | 2,050,197 | 2,050,197 | 2,050,197 |
| | 2,050,197 | 2,050,197 | 2,050,197 | 2,050,197 |
| Share premium | 75,377,444 | 75,377,444 | 75,377,444 | 75,377,444 |
| | 77,427,641 | 77,427,641 | 77,427,641 | 77,427,641 |
| Reconciliation of number of shares issued: | | | | |
| Reported as at 1 April 2022 | 4,100,395,606 | 4,100,395,606 | 4,100,395,606 | 4,100,395,606 |
| Reported as at 31 March 2023 | 4,100,395,606 | 4,100,395,606 | 4,100,395,606 | 4,100,395,606 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 34 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| **Unsecured borrowings** | | | | |
| Bank of Industry Loan - CBN intervention fund | 29,581,815 | 22,374,028 | 3,556,886 | 4,532,979 |
| (a) Commercial Agricultural Credit Scheme | | | | |
| (b) Agricultural loans | 315,106 | 533,613 | - | - |
| (c)RSSF-Real Sector Support Facility | 131,469,831 | 55,688,067 | 27,841,483 | 26,408,051 |
| (d) Power and Airline Intervention fund | 913,525 | 1,064,905 | 913,525 | 1,064,905 |
| (e) Other Bank Loans | 85,170,732 | 6,648,990 | 35,472,811 | 1,119,483 |
| (f) Intercompany Loan | - | - | 24,119,400 | 2,051,049 |
| (g) Commercial papers and Bond issue | 100,261,855 | 55,422,359 | 100,261,855 | 55,422,359 |
| (h) Anchor Borrowers Programme | - | 5,012,536 | - | - |
| National Sugar Development Council | 669,160 | 577,520 | - | - |
| Private Sector Accelerated Agriculture Development Scheme | 1,309,273 | 1,505,624 | - | - |
| | 349,691,297 | 148,827,642 | 192,165,960 | 90,598,826 |
| Analysed into | | | | |
| Current | 139,450,591 | 34,016,762 | 127,557,304 | 19,622,399 |
| Non-current | 210,240,706 | 114,810,880 | 64,608,656 | 70,976,427 |
| | 349,691,297 | 148,827,642 | 192,165,960 | 90,598,826 |
| Borrowing movement | | | | |
| Opening balance | 148,827,642 | 128,678,016 | 90,598,826 | 83,618,914 |
| Additions | 266,020,282 | 39,573,064 | 125,257,011 | 10,987,462 |
| Gain on loan modification | 3,572,570 | (3,172,787) | 969,253 | (1,219,568) |
| Repayment | (68,729,197) | (16,250,651) | (24,659,130) | (2,787,982) |
| Closing balance | 349,691,297 | 148,827,642 | 192,165,960 | 90,598,826 |

(a) Flour Mills of Nigeria Plc obtained funds from the CBN/BOI Power and Aviation Intervention Fund and Manufacturing Intervention Fund in different tranches, with tenors of 10 to 15 years. Principal repayment commenced in September 2013. Principal and interest are repaid quarterly in arrears. The facilities have fixed interest rates between 7% and 9% per annum. The loans were granted to finance or refinance the construction of the group's power plants and expansion of existing manufacturing plants.
In addition, various subsidiaries within the Group have obtained Long-term and Working capital loans directly from the Bank of Industry at rates between 10% and 12%. Tenors range between 3 and 7 years.

(b) FMN's subsidiaries have a total of N0.5 billion (2022: N11.0 billion) outstanding in the Central Bank of Nigeria - Commercial Agricultural Credit Scheme (CACS). The loans were obtained by some subsidiaries at interest rates ranging from 7% - 9% per annum.
Medium-term loans under the scheme have a moratorium of 18 to 24 months and a 5-7 years tenor (with principal and interest payable quarterly in arrears), while short-term loans under the scheme have a tenor of one year.

(c) The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, value added productivity and job creation established the Real Sector Support Facility (RSSF) and the Differentiated

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

Cash Reserve Ratio Programme. Various subsidiaries have obtained funds under this facility at 9%, with quarterly repayment of principal and interest for medium-term loans. Short-term loans under the scheme have a tenor of one year, with principal repayment

(d) This loan relates to the borrowings provided by other subsidiaries in the Flour Mills Group to Flour Mills of Nigeria Plc. These are Premier Feed Mills Company Limited and Golden Agri Inputs Limited.
The relevant interest rate is the prevailing interest rate on short term loans provided by commercial banks. During the year, this ranged from 7% - 15% (2022: Nil).

(e) Other bank loans (amounting to N5.0 billion for the Group), refers to debt obtained by FMN Group subsidiaries from commercial banks in Nigeria, This loan has tenor of 3 years. This is repayable at 2023 with interest rates at 7%.

(f) Also, in February 2020, Flour Mills of Nigeria Plc completed another corporate bond issue, having raised a total amount of
N20.00 billion from investors. The issue was in two Series - N12.5 billion of Series III A at 10.0% with a tenor of 3 years (bullet repayment of principal at the end of the tenor) and Series 3B of N7.5 billion at 11.1% with a tenor of 5 years (bullet repayment of principal at the end of the tenor).

In December 2020, Flour Mills of Nigeria Plc completed another corporate bond issue, having raised a total amount of N29.89 billion from investors. The issue was in two Series - N4.9 billion of Series IV A at 5.5% with a tenor of 5 years (bullet repayment of principal at the end of the tenor) and Series IV B of N25.0 billion at 6.25% with a tenor of 7 years (bullet repayment of principal at the end of the tenor).

(g) In a bid to catalyze financing of the real sector of the Nigeria economy, the Central Bank of Nigeria has set aside N300 billion to fast-track the development of electric power projects and provide leverage for additional private sector investment in the power and aviation sectors. The Group obtained the loan to acquire and construct a combined heat and power system with two 15MW gas turbines each connected to its own waste heat system generator. The funds from this facility was obtained at 9%, with quarterly repayment of principal and interest.
Loans obtained under (a-c) were obtained at below market interest rate and were hence recorded at their fair value at inception, using the appropriate market rate at date of draw down. Due to the nature of the lending and the providers, the benefit of the below market rate has been treated as government grants and included in deferred income (Note 37).

### 35 Retirement benefit obligation
**Defined benefit plan**

The Group operates unfunded defined benefit plans for qualifying employees of the Group. Under the plans, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 50 to 60 years.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2023 by EY Nigeria (Wise Chigudu (MBA, FIA), FRC/2022/PRO/NAS/0000002411). The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Carrying value

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Present value of the defined benefit obligation-wholly unfunded | (11,205,123) | (10,268,526) | (8,418,371) | (7,815,524) |
| **Movements for the year** | | | | |
| Opening balance | 10,268,526 | 10,396,790 | 7,815,524 | 8,067,744 |
| Transfers | - | - | (53,800) | (172,572) |
| Benefit paid during the period | (534,927) | (600,682) | (405,142) | (501,882) |
| Net expenses recognised in profit or loss and other comprehensive income | 1,471,524 | 472,418 | 1,061,789 | 422,234 |
| At the period end | 11,205,123 | 10,268,526 | 8,418,371 | 7,815,524 |
| **Net expense for the year:** | | | | |
| Current service cost | 1,045,977 | 1,057,499 | 752,278 | 821,641 |
| Interest cost | 1,377,550 | 1,254,807 | 1,045,769 | 980,808 |
| Recognised in profit or loss | 2,423,527 | 2,312,306 | 1,798,047 | 1,802,449 |
| Actuarial (gains)/losses recognised in other comprehensive income | (952,003) | (1,839,888) | (736,258) | (1,380,215) |
| | 1,471,524 | 472,418 | 1,061,789 | 422,234 |
| **Actuarial gains and losses due to:** | | | | |
| Changes in assumptions | (649,951) | (1,266,213) | (524,351) | (912,644) |
| Changes in experience | (302,052) | (573,675) | (211,907) | (467,572) |
| | (952,003) | (1,839,888) | (736,258) | (1,380,216) |

### Key financial assumptions used

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| Interest credit | 8.00% | 8.00% | 8.00% | 8.00% |
| Discount rates (per annum) | 14.58% | 13.99% | 14.49% | 13.71% |
| Average rate of inflation (per annum) | 13.00% | 12.00% | 13.00% | 12.00% |
| Expected increase in salaries (per annum) | 13.00% | 13.00% | 13.00% | 13.00% |
| Average duration of the plan (years) | 9.70 | 10.75 | 8.49 | 8.68 |

**Demographic assumption**

**Mortality in service**

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK due to unavailability of published reliable demographic data in Nigeria.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Sample age | Number of deaths in year out of 10,000 lives | Withdrawal from Service (Age band) | Withdrawal from Service (Rate) |
|---|---|---|---|
| 25 | 7 | </=30 | 5.0% |
| 30 | 7 | 31-39 | 3.0% |
| 35 | 9 | 40-44 | 2.0% |
| 40 | 14 | 45-50 | 1.5% |
| 45 | 26 | 51-55 | 1.1% |
| | | 56-59 | 2.5% |

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amount shown below:

### Group

| 31-Mar 23 | | | ₦'000 |
|---|---|---|---|
| Base | | | 11,205,126 |
| Discount rate | 1% | | 10,323,365 |
| | -1% | | 12,212,535 |
| Salary increase | 1% | | 11,735,966 |
| | -1% | | 10,726,170 |
| 12 months deposit rate (Central Bank of Nigeria) | | 1% | 556,107 |
| | | -1% | 500,772 |
| Mortality experience | | Age rated up by 1 year | 11,194,506 |
| | | Age rated down by 1 year | 11,183,616 |
| 31-Mar-22 | | | |
| Base | | | 10,140,262 |
| Discount rate | | 1% | 9,401,776 |
| | | -1% | 11,265,540 |
| Salary increase | | 1% | 10,800,103 |
| | | -1% | 9,791,035 |
| 12 months deposit rate (Central Bank of Nigeria) | | 1% | 504,718 |
| | | -1% | 464,195 |
| Mortality experience | | Age rated up by 1 year | 10,266,648 |
| | | Age rated down by 1 year | 10,270,195 |

### Company

| 31-Mar-23 | | ₦'000 |
|---|---|---|
| Base | | 8,418,371 |
| Discount rate | 1% | 7,762,841 |
| | -1% | 9,180,680 |
| Salary increase | 1% | 8,799,068 |
| | -1% | 8,086,390 |
| 12 months deposit rate (Central Bank of Nigeria) | 1% | 556,107 |
| | -1% | 500,772 |
| Mortality experience | Age rated up by 1 year | 8,413,709 |
| | Age rated down by 1 year | 8,403,599 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| 31-Mar-22 | | ₦'000 |
|---|---|---|
| Base | | 7,563,304 |
| Discount rate | +1% | 7,159,669 |
| | -1% | 8,586,222 |
| Salary increase | +1% | 8,208,281 |
| | -1% | 7,476,402 |
| 12 months deposit rate (Central Bank of Nigeria) | +1% | N/A |
| | -1% | N/A |
| Mortality experience | Age rated up by 1 year | 7,821,100 |
| | Age rated down by 1 year | 7,824,579 |

### 36 Long service award

Long term service award is granted at first to employees that have spent a minimum of ten years in service and for every multiple five years the employee remains in service. Payments to employees are both in cash and in kind.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2023 by EY Nigeria (Wise Chigudu (MBA, FIA), FRC/2022/PRO/NAS/00000024119). The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

**Carrying value**

The amount included in the statement of financial position arising from the Group's and Company's obligations in respect of its long service awards is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Long service awards | 4,060,137 | 3,591,011 | 2,998,181 | 2,926,253 |
| The movement in the account during the year was as follows: | | | | |
| At the beginning of the year | 3,591,011 | 3,713,272 | 2,926,253 | 3,037,869 |
| Transfer | - | | (11,479) | (45,237) |
| Net expense recognised in profit or loss | 866,623 | 126,347 | 412,857 | 128,521 |
| Benefits paid | (397,497) | (248,608) | (329,450) | (194,900) |
| At the end of the year | 4,060,137 | 3,591,011 | 2,998,181 | 2,926,253 |
| Net expenses recognised in profit or loss | | | | |
| Service cost | 754,628 | 456,016 | 349,179 | 369,151 |
| Interest cost | 435,822 | 429,486 | 352,317 | 351,904 |
| Actuarial (gains)/losses | (323,827) | (759,155) | (288,639) | (592,534) |
| | 866,623 | 126,347 | 412,857 | 128,521 |
| The actuarial (gains) and losses on long service awards are analyzed as follows: | | | | |
| Change in economic assumptions | (364,626) | (205,227) | (303,380) | (153,122) |
| Change in demographic assumptions | 40,799 | (553,928) | 14,741 | (439,412) |
| At 31 March | (323,827) | (759,155) | (288,639) | (592,534) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| Group | Valuation at | |
|---|---|---|
| | 31-Mar-23 | 31-Mar-22 |
| Discount rate (per annum) | 14% | 13.07% |
| Expected rate(s) of salary increases (per annum) | 13% | 13% |
| Average rate on inflation (per annum) | 13% | 12% |
| Benefit inflation rate | 7% | 6% |
| Average duration of the plan (years) | 7.22 | 8.33 |

| Company | Valuation at | |
|---|---|---|
| | 31-Mar-23 | 31-Mar-22 |
| Discount rate (per annum) | 14.33% | 12.67% |
| Expected rate(s) of salary increases (per annum) | 13% | 13% |
| Average rate on inflation (per annum) | 13% | 12% |
| Benefit inflation rate (per annum) | 7% | 6% |
| Average duration of the plan (years) | 6.5 | 6.7 |

**Demographic assumptions**

Mortality in service

The rates of mortality assumed for employees are the rates published in the A67/70 Climate Tables, published jointly by the Institute and Faculty of Actuaries in the UK due to unavailability of published reliable demographic data in Nigeria.

| Sample age | Number of deaths in year out of 10,000 lives | Age band | Withdrawal from Service |
|---|---|---|---|
| 25 | 7 | </=30 | 5.0% |
| 30 | 7 | 31-39 | 3.0% |
| 35 | 9 | 40-44 | 2.0% |
| 40 | 14 | 45-50 | 1.5% |
| 45 | 26 | 51-55 | 1.1% |
| | | 56-59 | 2.5% |

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the long service awards obligation to the amount shown below.

| Group | | ₦'000 |
|---|---|---|
| 31-Mar-23 | | |
| Base | | 4,060,137 |
| Discount rate | 1% | 3,807,585 |
| | -1% | 4,299,499 |
| Salary increase | 1% | 4,284,544 |
| | -1% | 3,818,060 |
| Benefit escalation rate | 1% | 4,064,635 |
| | -1% | 4,017,413 |
| Mortality experience | Age rated up by 1 year | 4,024,844 |
| | Age rated down by 1 year | 4,054,055 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| 31-Mar-22 | | ₦'000 |
|---|---|---|
| Base | | 3,591,011 |
| Discount rate | 1% | 3,367,030 |
| | -1% | 3,842,630 |
| Salary increase | 1% | 3,830,261 |
| | -1% | 3,374,887 |
| Benefit escalation rate | 1% | 3,619,217 |
| | -1% | 3,565,324 |
| | Age rated up by 1 year | 3,569,135 |
| Mortality experience | Age rated down by 1 year | 3,612,797 |

### Company

| 31-Mar-23 | | ₦'000 |
|---|---|---|
| Base | | 2,998,181 |
| Discount rate | +1% | 2,829,012 |
| | -1% | 3,191,331 |
| Salary increase | +1% | 3,181,218 |
| | -1% | 2,835,773 |
| Benefit escalation rate | +1% | 3,017,891 |
| | -1% | 2,984,101 |
| Mortality experience | Age rated up by 1 year | 2,988,989 |
| | Age rated down by 1 year | 3,010,675 |

| 31-Mar-22 | | ₦'000 |
|---|---|---|
| Discount rate | | 2,926,253 |
| | +1% | 2,747,279 |
| Salary increase | -1% | 3,127,328 |
| | +1% | 3,116,636 |
| Benefit escalation rate | -1% | 2,754,286 |
| | +1% | 2,950,162 |
| 12 months deposit rate (Central Bank of Nigeria) | -1% | 2,904,776 |
| | Age rated up by 1 year | 2,915,261 |
| Mortality experience | Age rated down by 1 year | 2,936,480 |

### 37 Deferred income

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Non Current | 27,362,183 | 16,173,241 | 2,529,289 | 3,807,687 |
| Current | 9,153,955 | 7,645,503 | 1,224,144 | 2,355,474 |
| | 36,516,138 | 23,818,744 | 3,753,433 | 6,163,161 |

The deferred income relates to government grants arising from the benefit received from below-market-interest rate government assisted loans (BOI, CACS, PAIF and RSSF loans) granted to date. The income is recognised in profit or loss at an amount proportionate to the additional finance costs incurred from amortisation of the loan.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| | | | | |
|---|---|---|---|---|
| At 1 April | 23,818,744 | 16,899,140 | 6,163,161 | 2,829,058 |
| Additions | 24,219,852 | 12,031,251 | - | 5,022,570 |
| Release of deferred income from government grant (Note 8) | (11,522,458) | (5,111,647) | (2,409,729) | (1,688,467) |
| At 31 March | 36,516,138 | 23,818,744 | 3,753,432 | 6,163,161 |

### 38 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 N'000 | 31-Mar-22 N'000 | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
| Trade payable | 220,681,718 | 147,297,679 | 156,347,765 | 113,985,342 |
| Trade payables-related parties | - | - | 41,195,126 | 17,318,206 |
| Other accrued expenses | 89,385,146 | 42,532,946 | 44,131,635 | 22,350,208 |
| Sundry creditors | 2,959,458 | 1,636,943 | 27,574 | 602,159 |
| Non-financial liabilities | | | | |
| Statutory payables | 7,622,822 | 3,124,202 | 2,637,215 | 946,456 |
| | 320,649,144 | 194,591,770 | 244,339,315 | 155,202,371 |

The average credit period on purchases is 28 days. No interest is charged on trade payables. The Group and Company have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

The Group's major supplier, Star Trading Company Limited, accounts for over 70% of the inventory purchases and the Group does not default in the payment to its suppliers.

### 39 Dividend payable

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| At 1 April | 2,804,900 | 4,207,541 | 2,804,901 | 2,586,437 |
| Declared during the year | 8,815,850 | 6,765,653 | 8,815,850 | 6,765,653 |
| Payment during the year | (11,097,290) | (8,094,076) | (11,097,291) | (6,472,971) |
| Unclaimed dividends transferred to reserves | (6,958) | (74,218) | (6,958) | (74,218) |
| | 516,502 | 2,804,900 | 516,502 | 2,804,901 |

Unclaimed dividends transferred to retained earnings represent dividends which have remained unclaimed and are therefore no longer recoverable or actionable by the shareholders in accordance with the Section 429 of Companies and Allied Matters Act (CAMA), 2020.

Recognised dividends per share during the year amounted to 2.15 per share (2022: 1.65 per share). The Board of Directors have proposed a dividend of 2.25 per share (2022: 2.15 per share).

### 40 Contract liabilities

Amount represents customer deposits made for products which will be recognised as revenue at the point the control of the products are transferred to the customers. The amount of N2.89 billion included in contract liabilities have been recognised as revenue (2022: N652.83 billion).

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Contract liabilities | 47,756,569 | 28,279,266 | 29,740,782 | 18,923,572 |
| | 47,756,569 | 28,279,266 | 29,740,782 | 18,923,572 |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 41 Right of use asset

| | Group | | | Company | |
|---|---|---|---|---|---|
| Cost | ₦'000 Equipment | ₦'000 Property | ₦'000 Total | ₦'000 Property | ₦'000 Total |
| At 1 April 2021 | 2,282,604 | 18,322,292 | 20,604,896 | 3,216,134 | 3,216,134 |
| Additions | - | 1,097,291 | 1,097,291 | 402,024 | 402,024 |
| **At March 2022** | **2,282,604** | **19,419,583** | **21,702,187** | **3,618,158** | **3,618,158** |
| At 1 April 2022 | 2,282,604 | 19,419,583 | 21,702,187 | 3,618,158 | 3,618,158 |
| Additions | - | 1,868,784 | 1,868,784 | 436,745 | 436,745 |
| Derecognition** | | (675,542) | (675,542) | - | - |
| **At March 2023** | **2,282,604** | **20,612,825** | **22,895,429** | **4,054,903** | **4,054,903** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2021 | (114,325) | (3,979,098) | (4,093,423) | (531,431) | (531,431) |
| Depreciation charge | (113,740) | (1,774,943) | (1,888,683) | (394,355) | (394,355) |
| **At March 2022** | **(228,065)** | **(5,754,041)** | **(5,982,106)** | **(925,786)** | **(925,786)** |
| At 1 April 2022 | (228,065) | (5,754,041) | (5,982,106) | (925,786) | (925,786) |
| Depreciation charge | (113,740) | (1,973,930) | (2,087,670) | (420,061) | (420,061) |
| Derecognition** | | 675,543 | 675,543 | - | - |
| **At March 2023** | **(341,805)** | **(7,052,428)** | **(7,394,233)** | **(1,345,847)** | **(1,345,847)** |
| **Carrying amount** | | | | | |
| At March 2023 | **1,940,799** | **13,560,397** | **15,501,196** | **2,709,056** | **2,709,056** |
| At March 2022 | **2,054,539** | **13,665,542** | **15,720,081** | **2,692,372** | **2,692,372** |
| At March 2021 | **2,168,279** | **14,343,194** | **16,511,473** | **2,684,703** | **2,684,703** |

** These are write offs during the year for fully depreciated right of use assets.

The Group, and the Company lease silos, warehouses, office buildings, flats and apartments.

### 42 Lease liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Balance as at 1 April | 17,654,283 | 16,708,755 | 590,079 | 676,373 |
| Additions | 846,348 | 71,647 | 86,086 | 240,253 |
| Interest expenses | 1,837,854 | 1,542,238 | 56,774 | 82,837 |
| Exchange difference | 413,115 | 1,998,757 | - | - |
| | **20,751,600** | **20,321,397** | **732,939** | **999,463** |
| Less: Interest payment on lease | (76,130) | - | (19,435) | - |
| Less: Principal payment on lease | (3,000,330) | (2,667,114) | (285,566) | (409,384) |
| | **17,675,140** | **17,654,283** | **427,938** | **590,079** |
| Non- current liabilities | 15,722,575 | 17,654,283 | 427,938 | 590,079 |
| Current liabilities | 1,952,565 | - | - | - |
| | **17,675,140** | **17,654,283** | **427,938** | **590,079** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The incremental borrowing rates of the naira and dollar denominated lease liabilities are 6%-16% and 7.73% respectively. Extension and termination options are included in a number of property and equipment leases across the Group. The extension options are used to maximise operational flexibility of managing assets in the Group operations. The extension options are exercisable only by the Group and not the lessors.

Lease expense for the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| | 2,087,670 | 1,888,683 | 420,061 | 394,355 |
| Depreciation | 212,042 | 801,514 | 164,597 | 239,115 |
| Short term leases | 1,837,854 | 1,542,238 | 56,774 | 82,837 |
| Lease interest expense | 413,115 | 1,998,757 | - | - |
| Exchange loss on lease items | 1,115,136 | - | 425,903 | 821,390 |
| Variable lease expense | **5,665,817** | **6,231,192** | **1,067,335** | **1,537,697** |

**Variable Lease**

The Group and Company's motor vehicle lease arrangements are based on variable payment terms linked to the usage of the trucks. Variable payment terms are used for a number of reasons including; minimising fixed cost, and optimising operational flexibility. The overall financial effect of using variable payment terms is that increased usage of the vehicle would increase total lease payments made under the motor vehicle lease arrangement.

Group as lessor

The Group leases out its investment property. All leases are classified as operating from a lessor perspective. The Group recognised lease payments (rental income) received from third party leasee as income on a straight-line basis over the lease term. The total amount of rental income received in the year is N262 million (2022: N245 million).

Lease payments are received in-advance from third party lessees.

## 43 Related parties transactions

The Company had transactions with the following related parties:

| Name of related party | Relationships | Nature of transaction |
|---|---|---|
| Apapa Bulk Terminal Limited | Subsidiary | Cargo handling and rental services to the Company |
| Ecowise Horizon Investment Limited | Subsidiary | Investment |
| Golden Sugar Company Limited | Subsidiary | Purchase of packaging materials from the Company |
| Northern Nigeria Flour Mills Plc | Subsidiary | Purchase of wheat grain from the Company |
| Golden Fertilizer Company Limited | Sub-subsidiary | Provision of business support services |
| Premium Edible Oil Products Limited | Sub-subsidiary | Purchase of packaging materials from the Company |
| Nigerian Eagle Flour Mills Limited | Subsidiary | Purchase of packaging materials from the Company |
| Crestview Towers Limited | Subsidiary | Sold residential apartments to the Company |
| Premium Edible Oil Products Limited | Sub-subsidiary | Sale of edible oil to the Company |
| Thai Farm International Limited | Sub-subsidiary | Purchase of packaging materials from the Company |
| Honeywell Flour Mills Plc | Sub-subsidiary | Purchase of flour products |
| Best Chickens Limited | Sub-subsidiary | Provision of business support services |
| Eastern Premier Feed Mills Limited | Sub-subsidiary | Purchase of raw and packaging materials |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Related party balances:

| | Group | | Company | |
|---|---|---|---|---|
| **Trade and other receivables** | **31-Mar-23 ₦'000** | **31-Mar-22 ₦'000** | **31-Mar-23 ₦'000** | **31-Mar-22 ₦'000** |
| Golden Fertilizer Company Limited | - | - | 2,049,880 | 125,159 |
| Apapa Bulk Terminal Limited | - | - | 152,428 | 858,939 |
| Golden Sugar Company Limited | - | - | 9,940,411 | 3,100,483 |
| Nigerian Eagle Flour Mills Limited | - | - | 1,741,566 | 1,029,509 |
| Premier Feed Mills Company Limited | - | - | 486,187 | 40,244 |
| Northern Nigeria Flour Mills Plc | - | - | 7,868,441 | 7,755,123 |
| Crestview Towers Limited | - | - | 8,408 | 7,336 |
| Premium Edible Oil Products Limited | - | - | 277,794 | 3,235,595 |
| Best Chickens Limited | - | - | 63,279 | 44,508 |
| Eastern Premier Feed Mills Limited | - | - | 11,265,651 | 1,612,535 |
| Independent Grain Handling and Storage Limited | - | - | 7,669 | 4,198 |
| Upland Grains Production Company Limited | - | - | 7,697 | 7,353 |
| Servewell Agricultural Services Limited | - | - | 6,486 | 4,114 |
| Ecowise Horizon Investment Limited | - | - | 14,301,110 | - |
| Honeywell Flour Mills Plc | - | - | 16,564,819 | - |
| Other related parties | - | - | 162,942 | 10,435 |
| Impairment of intercompany receivables | - | - | (444,577) | (358,904) |
| | **-** | **-** | **64,460,191** | **17,476,627** |
| Total (Note 28) | **-** | **-** | **64,460,191** | **17,476,627** |
| **Trade and other payables** | | | | |
| Eastern Premier Feeds Mills Limited | - | - | | 813,868 |
| Premium Edible Oil Products Limited | - | - | 3,699,675 | 2,966,386 |
| Apapa Bulk Terminal Limited | - | - | 825,241 | 5,764,781 |
| Premier Feed Mills Company Limited | - | - | 5,539,878 | 756,193 |
| Honeywell Flour Mills Plc | - | - | 59,924 | - |
| Golden Shipping Company Nigeria Limited | - | - | 10,864 | - |
| Golden Fertilizer Company Limited | | | 1,699,046 | 6,982,136 |
| Golden Sugar Company Limited | - | - | 29,346,781 | 34,842 |
| Golden Penny Power Limited | - | - | 194 | - |
| Olympic Towers Limited | - | - | 13,523 | - |
| Total (Note 38) | **-** | **-** | **41,195,126** | **17,318,206** |
| Long term loans receivables (Note 26) | **-** | **-** | **20,853,541** | **69,962,336** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The following transactions were carried out with related parties during the year:

| | Group | | Company | |
|---|---|---|---|---|
| **Purchase of goods and services** | **31-Mar-23 ₦'000** | **31-Mar-22 ₦'000** | **31-Mar-23 ₦'000** | **31-Mar-22 ₦'000** |
| Apapa Bulk Terminal Limited | - | - | 8,295 | 7,317,900 |
| Premium Edible Oil Products Limited | - | - | 2,669,224 | 1,317,180 |
| Golden Sugar Company Limited | - | - | 4,700,459 | 4,387,910 |
| Nigerian Eagle Flour Mills Plc | - | - | 32,168,533 | 25,668,760 |
| Northern Nigerian Flour Mills Plc | - | - | 5,257,105 | 1,117,213 |
| Eastern Premier Feed Mills Company Limited | - | - | 1,551,124 | 3,676,710 |
| Honeywell Flour Mills Plc | - | - | 6,519,914 | - |
| Golden Fertilizer Company Limited | - | - | 1,880,889 | 18,020,930 |
| Premier Feed Mills Company Limited | - | - | 6,256,796 | 3,664,440 |
| | **-** | **-** | **61,012,339** | **65,171,043** |
| **Sale of goods and services** | | | | |
| Golden Agri Inputs Limited | - | - | - | 30,240 |
| Eastern Premier Feed Mills Limited | - | - | - | 3,676,708 |
| Northen Nigeria Flour Mills Plc | - | - | 1,120,974 | 8,240,321 |
| Nigerian Eagle Flour Mills Limited | - | - | 21,703,159 | 66,948,870 |
| Golden Sugar Company Limited | - | - | 9,962,918 | 6,323,330 |
| Premium Edible Oil Products Limited | - | - | 25,819,323 | 19,728,910 |
| Golden Fertilizer Company Limited | - | - | 27,388 | 2,176,560 |
| Apapa Bulk Terminal Limited | | | 6,720,810 | - |
| | **-** | **-** | **65,354,572** | **107,124,939** |
| **Interest income from related parties** | | | | |
| Golden Fertilizer Company Limited | - | - | 149,558 | 482,055 |
| Upland Grains Production Company Limited | - | - | 12,825 | 51,881 |
| Golden Sugar Company Limited | - | - | 2,958,413 | 2,963,445 |
| Nigerian Eagle Flour Mills Limited | - | - | - | 8,236 |
| Independent Grain Handling and Storage Limited | - | - | 12,995 | 52,623 |
| Servewell Agricultural Services Limited | - | - | 13,149 | 54401 |
| Northern Nigeria Flour Mills Limited | - | - | - | 29,345 |
| Honeywell Flour Mills Plc | - | - | 329,283 | - |
| Premier Feed Mills Company Limited | - | - | 7,643 | 492,176 |
| Premium Cassava Products Limited | - | - | 18,279 | 64,303 |
| Premium Edible Oil Products Limited | - | - | 33,743 | 1,503,202 |
| | **-** | **-** | **3,535,888** | **5,701,667** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Interest expense to related parties

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Apapa Bulk Terminal Limited | - | - | - | 19,497 |
| Nigerian Eagle Flour Mills Limited | - | - | 36,157 | - |
| Premium Edible Oil Products Limited | - | - | 69,412 | 36,946 |
| Premier Feed Mills Company Limited | - | - | 1,699,706 | 156,943 |
| Honeywell Flour Mills Plc | - | - | 501,015 | - |
| Golden Fertilizer Company Limited | - | - | 2,067,149 | 102,728 |
| Golden Sugar Company Limited | - | - | 230,651 | 44,074 |
| | **-** | **-** | **4,604,090** | **360,188** |
| **Rental income from related parties** | | | | |
| Apapa Bulk Terminal Limited | - | - | 17,000 | 26,338 |
| Golden Fertilizer Company Limited | - | - | 20,100 | 28,600 |
| Premium Edible Oil Products Limited | - | - | 6,667 | 16,550 |
| Golden Sugar Company Limited | - | - | 68,000 | 79,600 |
| | **-** | **-** | **111,767** | **151,088** |
| **Rental expense to related parties** | | | | |
| Apapa Bulk Terminal Limited | - | - | 3,000,000 | 1,537,635 |
| Golden Sugar Company Limited | - | - | - | 89,654 |
| | **-** | **-** | **3,000,000** | **1,627,289** |

Related party transactions disclosed is inclusive of the relevant Value Added Tax applicable on the transactions.

**Compensation of key management personnel**

The key management personnel represents the senior leadership team of the Group and are responsible for strategic planning, execution and successful implementation of agreed business goals aimed at delivering value to the shareholders.

| | | |
|---|---|---|
| Short term benefits | 913,232 | 491,148 |
| Long term benefits (Post- employment benefit) | 23,554 | 21,760 |
| | **936,786** | **512,909** |

### 44 Directors' emoluments

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| **The remuneration paid to Directors was:** | | | | |
| Fees | 3,000 | 3,000 | 3,000 | 3,000 |
| Salaries and other emoluments | 139,478 | 117,500 | 139,478 | 117,500 |
| | **142,478** | **120,500** | **142,478** | **120,500** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Fees and other emoluments discussed above include amount paid to:

| | | | | |
|---|---|---|---|---|
| Chairman | 8,000 | 8,000 | 8,000 | 8,000 |
| Other directors | 134,478 | 112,500 | 134,478 | 112,500 |
| | **142,478** | **120,500** | **142,478** | **120,500** |

The number of Directors excluding the Chairman and highest paid director whose emoluments (excluding certain benefits) were within the following ranges:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| 190,000-200,000 | 14 | 14 | 14 | 14 |
| 19,000,001-20,000,000 | 1 | 1 | 1 | 1 |
| | 15 | 15 | 15 | 15 |

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Highest paid Director | 37,031 | 37,031 | 37,031 | 37,031 |

No loan was given to any key management personnel during the year (2022: Nil)

### 45 Accounting classifications and fair value

| | Group Carrying amount | | Group Company | |
|---|---|---|---|---|
| | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| **Derivative and non- derivative financial assets** | | | | |
| **Financial assets measured at amortised cost** | | | | |
| Cash and cash equivalents (Note 31) | 97,702,029 | 31,621,421 | 67,167,053 | 20,273,882 |
| Trade and other receivables (Note 28) | 32,923,499 | 28,907,431 | 81,599,953 | 31,005,687 |
| Long term loans and receivables (Note 26) | 43,534 | 37,551 | 20,853,541 | 69,962,336 |
| **Fair value through OCI** | | | | |
| Equity instruments at fair value through OCI (Note 24) | 47,260 | 34,000 | 47,260 | 34,000 |
| **Fair value through profit or loss** | | | | |
| Derivative financial assets (Note 29) | - | 84,480 | - | 84,480 |
| | **130,716,322** | **60,684,883** | **169,667,807** | **121,360,385** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Derivative and non-derivative financial liabilities

| | Group Carrying amount | | Company Carrying amount | |
|---|---|---|---|---|
| | 31-Mar-23<br>₦'000 | 31-Mar-22<br>₦'000 | 31-Mar-23<br>₦'000 | 31-Mar-22<br>₦'000 |
| Financial liabilities measured at amortised cost | | | | |
| Bank overdraft (Note 31) | 32,806,764 | 9,937,833 | 20,191,541 | 4,563,004 |
| Borrowings (Note 34) | 349,691,297 | 148,827,642 | 192,165,960 | 90,598,826 |
| Trade and other payables (excluding statutory deductions) (Note 38) | 313,026,322 | 191,467,568 | 241,702,100 | 154,255,915 |
| Dividend payable (Note 39) | 516,502 | 2,804,900 | 516,502 | 2,804,900 |
| Lease liabilities (Note 42) | 17,675,140 | 17,654,283 | 427,938 | 590,079 |
| Fair value through OCI | | | | |
| Derivative financial liabilities (cashflow hedge) (Note 29) | 2,942,620 | 1,898,421 | 2,088,559 | 1,898,421 |
| | 716,658,645 | 372,590,647 | 457,092,600 | 254,711,145 |

### 46 Financial instruments and risk management
### Capital risk management

The Group and Company manage their capital to ensure that it is able to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares by way of right-issue or sell investments to reduce debt. The Group monitors capital on the basis of the debt to equity ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including overdrafts, bonds and other bank loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the equity attributable to owners of Flour Mills of Nigeria Plc. in the consolidated statement of financial position.

The Group and Company are not subject to any externally imposed capital requirements.

Group operates a centralised procurement department in order to take advantage of the benefits of bulk purchase and also the logistics and transportation of products are handled by the Transport division and this creates more efficiency in delivery and thereby reducing cost.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Ratios

The net debt : equity ratio of the Group as at the reporting date was as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 |
| Borrowings | 34 | 349,691,297 | 148,827,642 | 192,165,960 | 90,598,826 |
| Lease liabilities | 42 | 17,675,140 | 17,654,283 | 427,938 | 590,079 |
| Total borrowings | | **367,366,437** | **166,481,925** | **192,593,898** | **91,188,905** |
| Cash and cash equivalents | 31 | (64,895,265) | (21,683,588) | (46,975,512) | (15,710,878) |
| Net borrowings | | **302,471,172** | **144,798,337** | **145,618,386** | **75,478,027** |
| Equity | | 225,224,887 | 195,904,691 | 181,820,527 | 174,663,847 |
| Gearing ratio | | 134% | 74% | 80% | 43% |

### Financial risk management

**Overview**

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks in co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors establishes the Group's financial risk management policies and the Group Managing Director establishes objectives in line with these policies. The Group Chief Financial Officer is then responsible for setting financial strategies, which are executed by the financial leadership team.

The risk management activities are supervised by the Internal Audit Department and they provide an independent assurance of the risk framework. The Internal Audit assesses compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors.

### 46.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and credit limits are set, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. It also includes receivables from related parties. Ongoing credit evaluation is performed on the financial condition of customers in respect of trade receivable and, where appropriate, bank credit guarantee is obtained.

These rates are adjusted for where necessary to reflect the differences between the economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

**Intercompany loan receivables**

The Company held non-trade receivables from its subsidiaries. The Company uses a general impairment model approach for assessment of ECLs for these receivables. The Group monitors changes in credit risk of the subsidiaries by tracking the published external credit ratings used as a basis in the determination of the subsidiaries credit risk grading. The loan receivables are not credit impaired.

12-month and lifetime probabilities of default are based on historical data supplied by Fitch ratings for each credit rating. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 48%. The exposure to credit risk for long term loan receivable is measured at amortised cost at the reporting date and analysed as follows.

| | At Amortized cost | |
|---|---|---|
| **Credit rating** | **2023** | **2022** |
| B- to B+ | 8,058,883 | 70,169, 406 |
| C to CCC+ | 13,937,383 | 1,483,215 |
| Gross carrying amounts | 21,996,266 | 71,652,621 |
| Loss allowance | (1,142,726) | (1,690,285) |
| Amortised cost | 20,853,540 | 69,962,336 |
| **Carrying amount** | 20,853,540 | 69,962,336 |

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institution counterparties, which are rated by established rating agencies.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk.

The Group continuously assesses the recoverability of these receivables. When the assessment reveals an indication of crystalization of a credit risk, the company recognizes an impairment loss provision to based on its assessment of the expected credit loss for these receivables.

Derivative contracts are entered into with bank and financial institution counterparties which have high quality credit ratings. The following represents the maximum amounts of financial assets subject to credit risk exposure;

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Group | | 31-Mar-23 Amortised cost | 31-Mar-22 Amortised cost |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| Trade receivables | 28 | 32,923,499 | 28,907,431 |
| Staff receivables | 28 | 3,610,006 | 3,133,172 |
| Loan term loans and receivable | 26 | 43,534 | 37,551 |
| Derivatives | 29 | - | 84,480 |
| Bank balances | 31 | 96,735,559 | 30,522,980 |
| | | **133,312,598** | **62,685,614** |

| Company | | 31-Mar-23 Amortised cost | 31-Mar-22 Amortised cost |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| Trade receivables | 28 | 20,020,541 | 16,024,769 |
| Related party receivables | 28 | 64,460,191 | 17,476,627 |
| Staff receivables | 28 | 2,653,986 | 2,498,920 |
| Sundry debtors | 28 | 13,563,173 | 10,277,827 |
| Derivatives | 29 | - | 84,480 |
| Bank balances | 31 | 66,268,998 | 19,314,892 |
| | | **166,966,889** | **65,677,515** |

Staff receivables are recovered through payroll deductions. Accordingly, management does not consider any credit risk on staff receivables.

The Group/ Company mitigates its credit risk exposure of its bank balances and derivative financial asset by selecting and transacting with reputable banks with good credit ratings and a history of strong financial performance.

### 46.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group and Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows, and by matching the maturity profiles of financial assets and liabilities

**Maturity analysis of financial liabilities**

The following tables detail the Group and Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows:

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Group - 2023

| Derivatives and non-derivatives financial liabilities | | Carryin amountg | Gross Nominal Amount | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other payables | 38 | 220,681,718 | 220,681,718 | - | - | 220,681,718 | - | - |
| Borrowings | 34 | 349,691,297 | 382,641,500 | - | 85,170,733 | 62,578,490 | 96,437,733 | 138,454,544 |
| Dividend payable | 39 | 516,502 | 516,502 | - | - | 516,502 | - | - |
| Bank overdraft | 31 | 32,806,764 | 32,806,764 | - | 32,806,764 | - | - | - |
| Derivative liability | 29 | 2,942,620 | 2,942,620 | 292,225 | 787,471 | 1,862,924 | - | - |
| Lease liabilities | 42 | 17,675,140 | 20,407,935 | 148,460 | 544,060 | 1,375,420 | 5,721,839 | 12,618,156 |
| | | **624,314,041** | **659,997,039** | **440,685** | **119,309,028** | **287,015,054** | **102,159,572** | **151,072,700** |

### Group - 2022

| Derivatives and non-derivatives financial liabilities | | Carryin amountg | Gross Nominal Amount | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other payables | 38 | 147,297,679 | 147,297,679 | - | - | 147,297,679 | - | - |
| Borrowings | 34 | 148,827,642 | 166,273,895 | - | 5,107,778 | 19,538,647 | 41,588,057 | 100,039,413 |
| Dividend payable | 39 | 2,804,900 | 2,804,900 | - | - | 2,804,900 | - | - |
| Bank overdraft | 31 | 9,937,833 | 9,937,833 | - | 9,937,833 | - | - | - |
| Derivative liability | 29 | 1,898,421 | 1,898,421 | 188,528 | 508,034 | 1,201,859 | - | - |
| Lease liabilities | 42 | 17,654,283 | 19,337,496 | 51,752 | 152,804 | 420,138 | 4,470,282 | 14,242,520 |
| | | **328,420,758** | **347,550,224** | **240,280** | **15,706,449** | **171,263,223** | **46,058,339** | **114,281,933** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Company - 2023

| Derivatives and non-derivatives financial liabilities | | Carryin amountg | Gross Nominal Amount | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other payables | 38 | 156,347,765 | 156,347,765 | - | - | 156,347,765 | - | - |
| Borrowings | 34 | 192,165,960 | 195,195,549 | - | 59,592,210 | 62,453,490 | 50,031,649 | 23,118,200 |
| Dividend payable | 39 | 516,502 | 516,502 | - | - | 516,502 | - | - |
| Bank overdraft | 31 | 20,191,541 | 20,191,541 | - | 20,191,541 | - | - | - |
| Derivative liability | 29 | 2,088,559 | 2,088,559 | 207,410 | 558,917 | 1,322,232 | - | - |
| Lease liabilities | 42 | 427,938 | 452,317 | 35,572 | 72,612 | 203,985 | 79,79 | 60,369 |
| | | **371,738,265** | **374,792,233** | **242,982** | **80,415,280** | **220,843,974** | **50,111,428** | **23,178,569** |

### Company - 2022

| Derivatives and non-derivatives financial liabilities | | Carryin amountg | Gross Nominal Amount | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other payables | 38 | 113,985,342 | 113,985,342 | - | - | 113,985,342 | - | - |
| Borrowings | 34 | 90,598,826 | 91,391,665 | - | 2,051,048 | 13,942,428 | 27,279,989 | 48,118,200 |
| Dividend payable | 39 | 2,804,900 | 2,804,900 | - | - | 2,804,900 | - | - |
| Bank overdraft | 31 | 4,563,004 | 4,563,004 | - | 4,563,004 | - | - | - |
| Derivative liability | 29 | 1,898,421 | 1,898,421 | 188,528 | 508,034 | 1,201,859 | - | - |
| Lease liabilities | 42 | 590,079 | 1,419,963 | - | - | 42,632 | 184,964 | 1,192,367 |
| | | **214,440,572** | **216,063,296** | **188,528** | **7,122,086** | **131,977,161** | **27,464,953** | **49,310,567** |

The Group has access to undrawn borrowing facilities amounting to N127 billion (2022: N123.62 billion). The Bank overdraft maybe drawn at any time and may be terminated by the bank without notice. The Group continues to monitor its access to finance and take appropriate measures to ensure obligations are settled in the normal course of business.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 46.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rate, exchange rates and other prices.

The Group's activities expose it primarily to financial risks of changes in foreign currency exchange rates, interest rates, equity prices and commodity prices. Market risks exposures are measured using sensitivity analysis. There has been no change to the manner in which these risks are managed and measured.

### 46.3.1 Foreign currency risk

The Group is mainly exposed to fluctuation in the exchange rate of the American Dollar (USD), Euro (EUR) and Swiss Franc (CHF).

The Group is currently involved in the backward integration of Agro Allied products in order to reduce the foreign exchange risk associated with the high dependence on imported raw materials. The Group has also commenced the export of products to neighbouring African Countries in order to get more inflow of the USD

| 31-Mar-23 | US Dollar | Euro | CHF Swiss Franc |
|---|---|---|---|
| Closing rate as at 31 March 2023 | 561.00 | 610.13 | 612.54 |
| Average rate for the Period | 631.34 | 657.83 | 663.08 |
| **31-Mar-22** | | | |
| Closing rate as at 31 March 2022 | 548.23 | 610.50 | 592.13 |
| Average rate for the Period | 533.96 | 487.34 | 457.69 |

**Foreign currency exposure at the end of the reporting period**

The net carrying amounts, in Naira, of the various exposures, are denominated in the following currencies. The amounts have been presented in their respective foreign currency amounts at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 USD'000 | 31-Mar-22 USD'000 | 31-Mar-23 USD'000 | 31-Mar-22 USD'000 |
| Cash and bank balance | 18,588 | 9,756 | 9,434 | 5,152 |
| Trade receivables | 9,563 | 11,501 | 5,185 | 5,096 |
| Trade payables | (121,768) | (123,820) | (85,457) | (91,924) |
| Net exposure | (93,617) | (102,563) | (70,838) | (81,676) |

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 EUR'000 | 31-Mar-22 EUR'000 | 31-Mar-23 EUR'000 | 31-Mar-22 EUR'000 |
| Cash and bank balance | 339 | 339 | 339 | 339 |
| Trade receivables | 7,769 | 11,501 | 7,792 | - |
| Trade payables | - | (677) | - | (656) |
| Net exposure | 8,108 | 11,163 | 8,131 | (317) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Mar-23 CHF'000 | 31-Mar-22 CHF'000 | 31-Mar-23 CHF'000 | 31-Mar-22 CHF'000 |
| Trade payables | - | (1,502) | - | (1,502) |
| | - | (1,502) | - | (1,502) |

**Foreign currency sensitivity analysis**

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

The following table details the Group and Company's sensitivity to a 20% (2022:20%) increase and decrease in the value of Naira against foreign currencies - USD, EUR and CHF. Management believes that a 20% (2022:20%) movement in either direction is reasonably possible at the balance sheet date. The sensitivity analysis below include outstanding balances of foreign currency (USD, EUR and CHF) denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 20% (2022:20%) against foreign currencies - USD, EUR and CHF. For a 20% (2022:20%) weakening of Naira against foreign currencies - USD, EUR and CHF there would be an equal and opposite impact on profit, and the balances below would be negative.

| Group | 31-Mar-23 USD'000 | 31-Mar-23 USD'000 | 31-Mar-22 USD'000 | 31-Mar-22 USD'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| US Dollar 20% (2022:20%) | 10,503,827 | (10,503,827) | 11,245,675 | (11,245,675) |

| Company | 31-Mar-23 USD'000 | 31-Mar-23 USD'000 | 31-Mar-22 USD'000 | 31-Mar-22 USD'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| US Dollar 20% (2022:20%) | 7,948,024 | (7,948,024) | 8,955,470 | (8,955,470) |

| Group | 31-Mar-23 EUR'000 | 31-Mar-23 EUR'000 | 31-Mar-22 EUR'000 | 31-Mar-22 EUR'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| Euro 20% (2022:20%) | 989,387 | (989,387) | 41,268 | (41,268) |

| Company | 31-Mar-23 EUR'000 | 31-Mar-23 EUR'000 | 31-Mar-22 EUR'000 | 31-Mar-22 EUR'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| Euro 20% (2022:20%) | 992,193 | (992,193) | 38,708 | (38,708) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Group | 31-Mar-23 CHF'000 | 31-Mar-23 CHF'000 | 31-Mar-22 CHF'000 | 31-Mar-22 CHF'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| CHF Swiss Franc 20% (2022:20%) | - | - | 177,927 | (177,927) |

| Company | 31-Mar-23 CHF'000 | 31-Mar-23 CHF'000 | 31-Mar-22 CHF'000 | 31-Mar-22 CHF'000 |
|---|---|---|---|---|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss | | | | |
| CHF Swiss Franc 20% (2022:20%) | - | - | 177,927 | (177,927) |

**Cash flow hedges**

The following table provides information on the forward foreign currency outstanding as at 2022 year end including their related hedge items:

| Maturity | Average forward contract rates (USD:NGN) | Nominal amount (USD'000) | Nominal amount (NGN'000) | Change in fair value for recognizing hedge effectiveness | Carrying amount of the hedging instruments-(assets)/liabilities |
|---|---|---|---|---|---|
| 1-6 months | 419.00 | 42,848 | 18,356,420 | 523,575 | (523,575) |
| 6-12 months | 419.05 | 48,036 | 20,418,381 | 582,388 | (582,388) |
| More than one year | 435.97 | 63,720 | 27,783,403 | 792,458 | (792,458) |
| | | 154,604 | 66,558,204 | 1,898,421 | (1,898,421) |

| | Change in value used for calculating hedge effectiveness | Balance in hedge reserve for continuing hedges | Balance in hedge reserve arising from hedge relationships for which hedge accounting is no longer applied |
|---|---|---|---|
| **Hedge items** | | | |
| Future commitments for inventory purchase | 1,898,421 | - | - |
| | 1,898,421 | - | - |

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

Hedge effectiveness is determined at the inception of the hedge relationship, through periodic prospective assessment to ensure that an economic relationship exists between the hedged item and instrument.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The Group enters into future commitments to purchase inventory for its operations. In 2022, the Group entered into forward contracts for terms averaging 1 to 8 months to hedge the exchange rate risk arising from future commitments to purchase inventory. The amount deferred in hedge reserves are reclassified and adjusted against inventory. No amount has been reclassified from hedging reserves to profit or loss at year end.

The table below provides a reconciliation of the hedge reserve resulting from cash flow hedge accounting:

| | Hedge reserves | |
|---|---|---|
| | 2023 | 2022 |
| Changes in fair value arising from foreign currency risk-future commitments to purchase inventory | 1,898,421 | (1,898,421) |
| Derecognition of hedge item | (1,281,434) | - |
| Tax movement in reserve during the year | (616,987) | 616,987 |
| | - | (1,281,434) |

**Interest rate profile and tenor of borrowings**

The terms and conditions and interest rate profile of outstanding loans at the end of the reporting period was as follows:

| Group | Currency N'000 | Nominal Interest rate | Maturity N'000 | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
|---|---|---|---|---|---|
| Bank overdraft | Naira | 18.5%-24% | On demand | 31,877,955 | 9,937,833 |
| Bank of industry Loan- CBN intervention fund | Naira | 7%-10% | 2023-2029 | 29,581,815 | 22,374,028 |
| Commercial Agricultural Credit Scheme- Agriculture loans | Naira | 9% | 2023-2026 | 315,106 | 533,613 |
| Power and Airline Intervention fund | Naira | 9% | 2025 | 913,525 | 1,064,905 |
| Commercial papers and bonds | Naira | 6%-16% | 2023-2027 | 100,261,855 | 55,422,359 |
| Term loans | Naira | 21% | 2023 | 30,411,507 | |
| Other bank loans | Naira | 6%-21% | 2023-2031 | 54,759,226 | 6,648,990 |
| RSSF-Real Sector Support Facility | Naira | 9% | 2024-2032 | 131,469,831 | 55,688,067 |
| Anchor Borrowers Programme | Naira | 9% | 2023 | - | 5,012,536 |
| National Sugar Development Council | Naira | 3% | 2031 | 669,161 | 577,520 |
| Private Sector-Led Accelerated Agriculture Development Scheme (PAADS) | Naira | 9% | 2031 | 1,309,273 | 1,505,624.00 |
| | | | | **381,569,254** | **158,765,474** |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| Company | Currency N'000 | Nominal Interest rate | Maturity N'000 | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
|---|---|---|---|---|---|
| Bank overdraft | Naira | 18.5%-24% | On demand | 19,614,856 | - |
| Bank of industry Loan-CBN intervention fund | Naira | 7%-10% | 2026 | 3,556,886 | 4,532,979 |
| Import finance facility | Naira | 10.0% | 2023 | 15,373,633 | 1,119,483 |
| Commercial papers and bonds | Naira | 6%-16% | 2023-2027 | 100,261,855 | 55,422,359 |
| RSSF-Real Sector Support Facility | Naira | 9% | 2026-2031 | 28,325,805 | 26,408,051 |
| Power and Airline Intervention fund | Naira | 9% | 2025 | 913,525 | 1,064,905 |
| Inter company loans | Naira | 8%-14% | 2023-2029 | 24,119,400 | 2,051,049 |
| | | | | 192,165,960 | 90,598,826 |

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. The Group maintains a centralised treasury department and Group borrowing is done in order to obtain lower interest rates. The Group negotiates long term credit facilities and obtains subsidised loans from the Government in order to reduce the risk associated with high cost of borrowing. The Group also takes advantage of the Central Bank of Nigeria intervention funds and grants from the Federal Government at below market rate in order to mitigate this risk.

The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 1000 basis points (BP) increase or decrease are used when reporting interest rate risk internally to key management personnel and these represent management's assessment of the reasonably possible change in interest rates.

**Interest rate sensitivity analysis**

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

| Group | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
|---|---|---|
| Variable rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (32,806,764) | (9,937,833) |
| | (32,806,764) | (9,937,833) |

| Company | 31-Mar-23 N'000 | 31-Mar-22 N'000 |
|---|---|---|
| Variable rate instruments | | |
| Financial assets | 21,996,267 | 71,652,621 |
| Financial liabilities | (20,191,541) | (4,563,004) |
| | 1,804,726 | 67,089,617 |

**Fair value sensitivity analysis for fixed-rate instruments**

The Group and Company does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group and Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased profit or loss by N99,378 (2022: N40,009) and N670,897 (2022: N671,687) for the Group and Company respectively. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

**46.3.2 Price risk**

The Group is further exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its milling requirements. These raw materials include wheat and cassava flour. The risk is partly mitigated by buying these raw materials 3 months in advance of use. This is based on management past experience with price movements.

**Equity price risk**

The Group is exposed to equity price risk which arises from its fair-value-through-other-comprehensive-income equity instruments. The management of the Group monitors the proportion of equity securities based on market indices. The primary goal of the Group's investment strategy is to maximize its returns in general. The maximum exposure to equity price risk at the reporting date is N47 million (2022: N34 million).

The Group investment carried at FVOCI, is listed on the Nigerian Exchange Limited (NGX). A 10% increase in the share price would have increased equity by N4.7 million, an equal change in the opposite direction would have decreased equity by N4.7 million.

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### 47. Fair value information
### Accounting classification and fair values

The following table shows the carrying amount and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to their short term nature and the consequent insignificant impact of discounting.

**Group**

| 31-Mar-23<br>In thousands of Naira | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Derivative financial instruments at FVOCI | Financial assets measured at amortised cost | FVOCI Equity Instruments | Non-derivative financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through OCI | | | | | | | | | | |
| Other investments | 24 | - | - | 47,260 | - | 47,260 | 47,260 | - | - | 47,260 |
| Derivative assets | 29 | - | - | - | - | - | - | - | - | - |
| | | - | - | 47,260 | - | 47,260 | 47,260 | - | - | 47,260 |
| Financial assets at amortised cost | | | | | | | | | | |
| Long term loans and receivables | 26 | - | 43,534 | - | - | 43,534 | - | 43,534 | - | 43,534 |
| Trade and other receivables | 28 | - | 47,469,558 | - | - | 47,469,558 | - | - | - | - |
| Cash and cash equivalents | 31 | - | 97,702,029 | - | - | 97,702,029 | - | - | - | - |
| | | - | 145,215,121 | - | - | 145,215,121 | - | 43,534 | - | 43,534 |
| Financial liabilities measured at fair value through OCI | | | | | | | | | | |
| Derivative liabilities | 29 | 2,942,620 | - | - | - | 2,942,620 | - | 2,942,620 | - | - |
| | | 2,942,620 | - | - | - | 2,942,620 | - | 2,942,620 | - | - |
| Financial liabilities at amortised cost | | | | | | | | | | |
| Bank overdrafts | 31 | - | - | - | (32,806,764) | (32,806,764) | - | - | - | - |
| Lease liabilities | 42 | - | - | - | (17,675,140) | (17,675,140) | - | (17,675,140) | - | (17,675,140) |
| Unsecured bank loans | 34 | - | - | - | (349,691,297) | (349,691,297) | - | (349,691,297) | - | (349,691,297) |
| Dividend payable | 39 | - | - | - | (516,502) | (516,502) | - | - | - | - |
| Trade and other payables (excluding statutory deductions) | 38 | - | - | - | (313,026,322) | (313,026,322) | - | - | - | - |
| | | - | - | - | (713,716,025) | (713,716,025) | - | (367,366,437) | - | (367,366,437) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

| 31-Mar-22<br>In thousands of Naira | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Derivative financial instrument at FVTPL | Financial measured at amortised cost | Equity Instruments | financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through OCI | | | | | | | | | | |
| Other investments | 24 | - | - | 34,000 | - | 34,000 | 34,000 | - | - | 34,000 |
| Derivative assets | 29 | 84,480 | - | - | - | 84,480 | - | 84,480 | - | 84,480 |
| | | 84,480 | - | 34,000 | - | 118,480 | 34,000 | 84,480 | - | 118,480 |
| Financial assets at amortised cost | | | | | | | | | | |
| Long term loans and receivables | 26 | - | 37,551 | - | - | 37,551 | - | 36,955 | - | 36,955 |
| Trade and other receivables | 28 | - | 39,900,930 | - | - | 39,900,930 | - | - | - | - |
| Cash and cash equivalents | 31 | - | 31,621,421 | - | - | 31,621,421 | - | - | - | - |
| | | - | 71,559,902 | - | - | 71,559,902 | - | 36,955 | - | 36,955 |
| Financial liabilities measured at fair value through OCI | | | | | | | | | | |
| Derivative liabilities | 29 | 1,898,421 | - | - | - | 1,898,421 | - | 1,898,421 | - | 1,898,421 |
| | | 1,898,421 | - | - | - | 1,898,421 | - | 1,898,421 | - | 1,898,421 |
| Financial liabilities at amortised cost | | | | | | | | | | |
| Bank overdrafts | 31 | - | - | - | (9,937,833) | (9,937,833) | - | - | - | - |
| Lease liabilities | 42 | - | - | - | (17,654,283) | (17,654,283) | - | (12,186,464) | - | (12,186,464) |
| Unsecured bank loans | 34 | - | - | - | (148,827,642) | (148,827,642) | - | (102,249,679) | - | (102,249,679) |
| Dividend payable | 39 | - | - | - | (2,804,900) | (2,804,900) | - | - | - | - |
| Trade and other payables (excluding statutory deductions) | 38 | - | - | - | (191,467,569) | (191,467,569) | - | - | - | - |
| | | - | - | - | (370,692,227) | (370,692,227) | - | (114,436,143) | - | (114,436,143) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Company

31-Mar-23
In thousands of Naira

| | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Derivative financial instruments at FVOCI | Financial assets measured at amortized cost | FVOCI Equity Instruments | Non-derivative financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through OCI | | | | | | | | | | |
| Other investments | 24 | - | - | 47,260 | - | 47,260 | 47,260 | - | - | 47,260 |
| Derivative assets | 29 | - | - | - | - | - | - | - | - | - |
| | | - | - | 47,260 | - | 47,260 | 47,260 | - | - | 47,260 |
| Financial assets at amortised cost | | | | | | | | | | |
| Long term loans and receivables | 26 | - | 20,853,541 | - | - | 20,853,541 | - | 20,853,541 | - | 20,853,541 |
| Trade and other receivables | 28 | - | 97,817,112 | - | - | 97,817,112 | - | - | - | - |
| Cash and cash equivalents | 31 | - | 67,167,053 | - | - | 67,167,053 | - | - | - | - |
| | | - | 185,837,706 | - | - | 185,837,706 | - | 20,853,541 | - | 20,853,541 |
| Financial liabilities measured at fair value through OCI | | | | | | | | | | |
| Derivative liabilities | 29 | 2,942,620 | - | - | - | 2,942,620 | - | 2,942,620 | - | - |
| | | 2,942,620 | - | - | - | 2,942,620 | - | 2,942,620 | - | - |
| Financial liabilities at amortised cost | | | | | | | | | | |
| Bank overdrafts | 31 | - | - | - | (20,191,541) | (20,191,541) | - | - | - | - |
| Lease liabilities | 42 | - | - | - | (427,938) | (427,938) | - | (427,938) | - | (427,938) |
| Unsecured bank loans | 34 | - | - | - | (192,165,960) | (192,165,960) | - | (192,165,960) | - | (192,165,960) |
| Dividend payable | 39 | - | - | - | (516,502) | (516,502) | - | - | - | - |
| Trade and other payables (excluding statutory deductions) | 38 | - | - | - | (241,702,100) | (241,702,100) | - | - | - | - |
| | | - | - | - | (455,004,041) | (455,004,041) | - | (192,593,898) | - | (192,593,898) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Company

31-Mar-22
In thousands of Naira

| | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | FVTPL | Financial assets measured at amortised cost | FVOCI Equity Instruments | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through OCI | | | | | | | | | | |
| Other investments | 24 | - | - | 34,000 | - | 34,000 | 34,000 | - | - | 34,000 |
| Derivative assets | 29 | 84,480 | - | - | - | 84,480 | - | 84,480 | - | 84,480 |
| | | 84,480 | - | 34,000 | - | 118,480 | 34,000 | 84,480 | - | 84,480 |
| Financial assets at amortised cost | | | | | | | | | | |
| Long term loans and receivables | 26 | - | 69,962,336 | - | - | 69,962,336 | - | 70,587,177 | - | 70,587,177 |
| Trade and other receivables | 28 | - | 43,782,434 | - | - | 43,782,434 | - | - | - | - |
| Cash and cash equivalents | 31 | - | 20,273,882 | - | - | 20,273,882 | - | - | - | - |
| | | - | 134,018,652 | - | - | 134,018,652 | - | 70,587,177 | - | 70,587,177 |
| Financial assets measured at fair value through OCI | | | | | | | | | | |
| Derivative liabilities | 29 | 1,898,421 | - | - | - | 1,898,421 | - | 1,898,421 | | 1,898,421 |
| | | 1,898,421 | - | - | - | 1,898,421 | - | 1,898,421 | - | 1,898,421 |
| Financial liabilities at amortised cost | | | | | | | | | | |
| Bank overdrafts | 31 | - | - | - | (4,563,004) | (4,563,004) | - | - | - | - |
| Lease liabilities | 42 | - | - | - | (590,079) | (590,079) | - | (590,079) | - | (590,079) |
| Unsecured bank loans | 34 | - | - | - | (90,598,826) | (90,598,826) | - | (65,569,294) | - | (65,569,294) |
| Dividend payable | 39 | - | - | - | (2,804,900) | (2,804,900) | - | - | - | - |
| Trade and other payables (excluding statutory deductions) | 38 | - | - | - | (154,255,915) | (154,255,915) | - | - | - | - |
| | | - | - | - | (252,812,724) | (252,812,724) | - | (66,159,373) | - | (66,159,373) |

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

### Fair value hierarchy

**Financial instruments in Level 1**

The fair value of financial instruments traded in active markets (quoted equity) is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis

The quoted market price used for quoted equity investment held by the Company is the bid price at the reporting date. These instruments are included in level 1. There were no transfers between levels during the year

**Financial instruments in Level 2**

The fair value of financial instruments that are not traded in an active market (loans and borrowings) is determined by using discounted cash flow valuation techniques. This valuation technique maximize the use of observable market data by using the market related interest rate for discounting the contractual cash flows. There are no significant unobservable inputs. There were no transfers between levels during the year. The basis of measurement has remained the same between current and prior years. The discount rates used are 15.75% (2022: 7.75%).

The fair value of future and forward exchange contracts is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies (Note 29).

**Financial instrument in Level 3**

The fair value is based on unobservable inputs. The Group has no level 3 financial assets or financial liabilities as at the reporting period.

### 48. Non-audit fees paid to the Auditors

In the current year the total amount of non-audit fees paid to our auditors amounted to N12.5 million (2022: N73.5 million). This is in respect of advisory services rendered during the year.

### 49. Substantial interest in shares

Excelsior Shipping Company Limited has 2,597,314,890 (2022: 2,597,314,890) ordinary shares of 50k each, representing 63.34% (2022: 63.34%) of the issued and paid-up share capital of the Company.

### 50. Commitments

Guarantees and other financial commitments

The Company has committed itself to providing continued financial support to all subsidiaries in the Group with net liability position.

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the Company's state of affairs have been taken into consideration in the preparation of the financial statements under review.

### 51. Contingencies

The Group and the Company are involved in litigation in the ordinary course of business. The total amount for contingent liabilities is N126 million with respect to cases against the Group and Company as at year end (2022: Nil). The actions are being contested and the Directors are of the opinion that none of the cases are likely to have a material adverse effect on the Group and Company.

The directors believe that any liability that may arise on conclusion of the reviews is not likely to be material. However, the amount of the ultimate liability if any, cannot be reliably estimated as at the reporting date. Accordingly, no provision has

## Notes to the Annual Report for the year ended 31 March 2022 (Cont'd)

been made in these consolidated and separate financial statements. The directors have not made further disclosures about the nature of the regulatory reviews as doing so would amount to disclosing information that could prejudice or harm the Company's position on the matters.

### 52. Events after the reporting period

Flour Mills of Nigeria Plc issued a 3-year (14.50%) senior unsecured Fixed Rate Bonds due 2026 amounting to N46 billion on 4 April 2023. The bond issued will be used to support short term funding needs.

Except as disclosed above and in Note 16, there are no other significant events after the reporting period which could have a material effect on the financial position of the Company as at 31 March 2023, and its financial performance for the year then ended, that have not been adequately provided for or disclosed in these consolidated and separate financial statements.

# Other National Disclosures

## Consolidated and Separate Statement of Value Added

| Group | 31-Mar-23 ₦'000 | 31-Mar-23 % | 31-Mar-22 ₦'000 | 31-Mar-22 % |
|---|---|---|---|---|
| Turnover | 1,539,654,788 | | 1,163,802,851 | |
| Investment income | 717,611 | | 1,086,420 | |
| Brought-in-materials | | | | |
| - Local | (132,620,568) | | (78,085,948) | |
| - Foreign | (1,225,962,938) | | (957,956,311) | |
| Value Added | 181,788,893 | 100 | 128,847,012 | 100 |
| Distribution of value added | | | | |
| To Pay Employees | 54,294,583 | | 39,557,968 | |
| Salaries, wages, medical and other benefits | 54,294,583 | 30 | 39,557,968 | 30 |
| To Pay Providers of Capital | | | | |
| Finance costs | 55,725,721 | | 25,481,623 | |
| | 55,725,721 | 31 | 25,481,623 | 20 |
| To Pay Government | | | | |
| Income tax | 26,224,594 | | 12,286,541 | |
| | 26,224,594 | 14 | 12,286,541 | 10 |
| To be retained in the business for expansion and future wealth creation: | | | | |
| Depreciation and amortisation | 31,985,981 | | 24,591,802 | |
| (for the replacement of fixed asset) | (15,946,271) | | (1,086,149) | |
| | 16,039,710 | 9 | 23,505,653 | 18 |
| Value retained | | | | |
| Retained profit | 29,732,507 | | 25,676,035 | |
| Non-controlling interest | (228,222) | | 2,339,191 | |
| | 29,504,285 | 16 | 28,015,226 | 22 |
| Value Added | 181,788,893 | 100 | 128,847,012 | 100 |

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

## Consolidated and Separate Statement of Value Added

| Company | 31-Mar-23 ₦'000 | 31-Mar-23 % | 31-Mar-22 ₦'000 | 31-Mar-22 % |
|---|---|---|---|---|
| Turnover | 923,015,713 | | 832,810,561 | |
| Investment income | 13,178,025 | | 12,778,485 | |
| Brought-in-materials | | | | |
| - Local | (53,190,309) | | (52,080,615) | |
| - Foreign | (772,962,154) | | (707,874,479) | |
| Value Added | 110,041,275 | 100 | 85,633,952 | 100 |
| Distribution of value added | | | | |
| To Pay Employees | 34,064,573 | | 27,792,244 | |
| Salaries, wages, medical and other benefits | 34,064,573 | 31 | 27,792,244 | 32 |
| To Pay Providers of Capital | | | | |
| Finance costs | 29,213,926 | | 15,195,572 | |
| | 29,213,926 | 27 | 15,195,572 | 18 |
| To Pay Government | | | | |
| Income tax | 18,570,169 | | 7,041,914 | |
| | 18,570,169 | 17 | 7,041,914 | 8 |
| To be retained in the business for expansion and future wealth creation: | | | | |
| Depreciation and amortisation | 14,509,971 | | 12,897,307 | |
| (for the replacement of Deferred tax) | (491,268) | | 887,099 | |
| | 14,018,703 | 13 | 13,784,406 | 16 |
| Value retained | | | | |
| Retained profit | 14,173,904 | | 21,819,816 | |
| | 14,173,904 | 12 | 21,819,816 | 25 |
| Value Added | 110,041,275 | 100 | 85,633,952 | 100 |

Value added represents the additional wealth which the select has been able to create by its own and employees efforts.

Other National Disclosures

## Group

| Consolidated Statement of Financial Position | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-21 ₦'000 | 31-Mar-20 ₦'000 | 31-Mar-19 ₦'000 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Non-current assets | 387,110,805 | 254,895,383 | 238,727,670 | 242,722,155 | 236,552,221 |
| Current assets | 710,285,585 | 412,116,426 | 306,005,143 | 189,731,687 | 180,269,383 |
| Total assets | 1,097,396,390 | 667,011,809 | 544,732,813 | 432,453,842 | 416,821,604 |
| Liabilities | | | | | |
| Non-current liabilities | 288,080,178 | 177,520,701 | 160,422,753 | 127,887,817 | 81,220,607 |
| Current liabilities | 584,091,324 | 293,586,417 | 209,696,110 | 148,758,253 | 184,628,802 |
| Total liabilities | 872,171,502 | 471,107,118 | 370,118,863 | 276,646,070 | 265,849,409 |
| Total equity | 225,224,887 | 195,904,691 | 174,613,950 | 155,807,772 | 150,972,195 |
| | 1,097,396,389 | 667,011,809 | 544,732,813 | 432,453,842 | 416,821,604 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | | | | | |
| Revenue | 1,539,654,788 | 1,163,802,851 | 771,607,880 | 573,774,356 | 527,404,569 |
| Profit before taxation | 42,752,114 | 41,118,148 | 41,118,148 | 17,496,815 | 10,174,275 |
| Taxation | (10,278,323) | (11,200,392) | (11,567,960) | (5,815,148) | (6,174,129) |
| Profit from continuing operations | 32,473,791 | 29,917,755 | 29,550,188 | 11,681,667 | 4,000,146 |
| Profit for the year | 29,504,285 | 28,015,226 | 25,716,923 | 11,376,743 | 4,000,146 |
| Non-controlling interest | 228,222 | (2,339,191) | 431,863 | (909,070) | 108,223 |
| Profit attributable to parents of the Company | 29,732,507 | 25,676,035 | 26,148,786 | 10,467,673 | 4,108,369 |
| Per share data | | | | | |
| Earnings per share (Naira) | 7.25 | 6.26 | 6.38 | 2.55 | 1.00 |
| Net assets per share (Naira) | 54.93 | 47.78 | 42.58 | 38.00 | 35.00 |

Earnings per share is based on profit for the year and the number of issued and fully paid ordinary shares at the end of each financial year. Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year

## Company

| Separate Statement of Financial Position | 31-Mar-23 ₦'000 | 31-Mar-22 ₦'000 | 31-Mar-21 ₦'000 | 31-Mar-20 ₦'000 | 31-Mar-19 ₦'000 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Non-current assets | 232,783,388 | 220,970,412 | 219,163,251 | 189,083,838 | 171,481,410 |
| Current assets | 486,501,934 | 266,647,165 | 161,159,274 | 125,183,221 | 142,576,777 |
| Total assets | 719,285,322 | 487,617,577 | 380,322,525 | 314,267,059 | 314,058,187 |
| Liabilities | | | | | |
| Non-current liabilities | 93,564,578 | 100,333,110 | 95,377,417 | 67,325,900 | 36,799,208 |
| Current liabilities | 443,900,217 | 212,620,619 | 125,066,314 | 100,624,270 | 138,329,706 |
| Total liabilities | 537,464,795 | 312,953,729 | 220,443,731 | 167,950,170 | 175,128,914 |
| Total equity | 181,820,527 | 174,663,847 | 159,878,794 | 146,316,889 | 138,929,273 |
| | 719,285,322 | 487,617,577 | 380,322,525 | 314,267,059 | 314,058,187 |
| Separate Statement of Profit or Loss and Other Comprehensive Income | | | | | |
| Revenue | 923,015,713 | 832,810,561 | 535,881,585 | 394,884,217 | 370,205,529 |
| Profit before taxation | 32,252,805 | 29,748,829 | 28,183,601 | 17,537,684 | 18,536,249 |
| Taxation | (18,078,901) | (7,929,013) | (8,011,112) | (4,955,115) | (986,742) |
| Profit from continuing operations | 14,173,904 | 21,819,815 | 20,172,489 | 12,582,569 | 17,549,507 |
| Discontinued operations | | | | - | 1,768,147 |
| Profit for the year | 14,173,904 | 21,819,815 | 20,172,489 | 12,582,569 | 19,317,654 |
| Profit attributable to parents of the Company | 14,173,904 | 21,819,815 | 20,172,489 | 12,582,569 | 19,317,654 |
| Per share data | | | | | |
| Earnings per share (Naira) | 3.46 | 5.32 | 4.92 | 3.06 | 4.28 |
| Net assets per share (Naira) | 44.34 | 42.60 | 38.99 | 35.68 | 33.88 |

Earnings per share is based on profit for the year and the number of issued and fully paid ordinary shares at the end of each financial year. Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year

## Share Capital History

| Date | Authorised (N) | | Issued & Fully Paid-up (N=) | | Consideration |
|---|---|---|---|---|---|
| | Increase | Cumulative | Increase | Cumulative | |
| 26/09/78 | 0 | 15,000,000 | 0 | 15,000,000 | |
| 26/08/80 | 10,000,000 | 25,000,000 | 10,000,000 | 15,000,000 | |
| 21/11/80 | 0 | 25,000,000 | 0 | 25,000,000 | Scrip 2:3 |
| 12/11/84 | 7,500,000 | 32,500,000 | 7,500,000 | 25,000,000 | |
| 16/01/85 | 0 | 32,500,000 | 0 | 32,500,000 | Scrip 3:10 |
| 09/11/93 | 65,000,000 | 97,500,000 | 65,000,000 | 32,500,000 | |
| 18/02/94 | 0 | 97,500,000 | 0 | 97,500,000 | Scrip 2:1 |
| 03/10/96 | 152,500,000 | 250,000,000 | 152,500,000 | 97,500,000 | |
| 01/11/96 | 0 | 250,000,000 | 0 | 130,000,000 | Scrip 1:3 |
| 23/11/96 | 0 | 250,000,000 | 0 | 195,000,000 | Scrip 1:2 |
| 16/09/99 | 100,000,000 | 350,000,000 | 100,000,000 | 195,000,000 | |
| 04/01/00 | 0 | 350,000,000 | 0 | 273,000,000 | Cash |
| 10/09/02 | 150,000,000 | 500,000,000 | 150,000,000 | 273,000,000 | |
| 27/02/03 | 0 | 500,000,000 | 0 | 364,000,000 | Scrip 1:3 |
| 04/02/05 | 0 | 1,000,000,000 | 0 | 582,400,000 | Rights issue 3 for 5 |
| 07/09/06 | 0 | 1,000,000,000 | 0 | 776,533,334 | Scrip 1:3 |
| 10/09/08 | 0 | 1,000,000,000 | 0 | 854,186,668 | Scrip 1:10 |
| 21/10/10 | 0 | 1,000,000,000 | 0 | 939,605,334 | Scrip 1:10 |
| 22/06/11 | 1,000,000,000 | 2,000,000,000 | 1,000,000,000 | 939,605,334 | |
| 15/02/12 | 0 | 2,000,000,000 | 0 | 1,167,388,000 | Right Issue 8 for 33 |
| 31/03/13 | 0 | 2,000,000,000 | 0 | 1,192,842,200 | Share Exchange upon BAGCO and Niger Mills Merger |
| 31/03/14 | 0 | 2,000,000,000 | 0 | 1,192,842,200 | |
| 31/03/15 | 0 | 2,000,000,000 | 0 | 1,312,126,690 | Scrip 1:10 |
| 13/07/15 | 500,000,000 | 2,500,000,000 | 500,000,000 | 1,312,126,690 | |
| 29/03/18 | | 2,500,000,000 | | 2,050,197,803 | Right Issue |
| 22/12/22 | 0 | 2,050,197,803 | 0 | 2,050,197,803 | Share Cancellation |

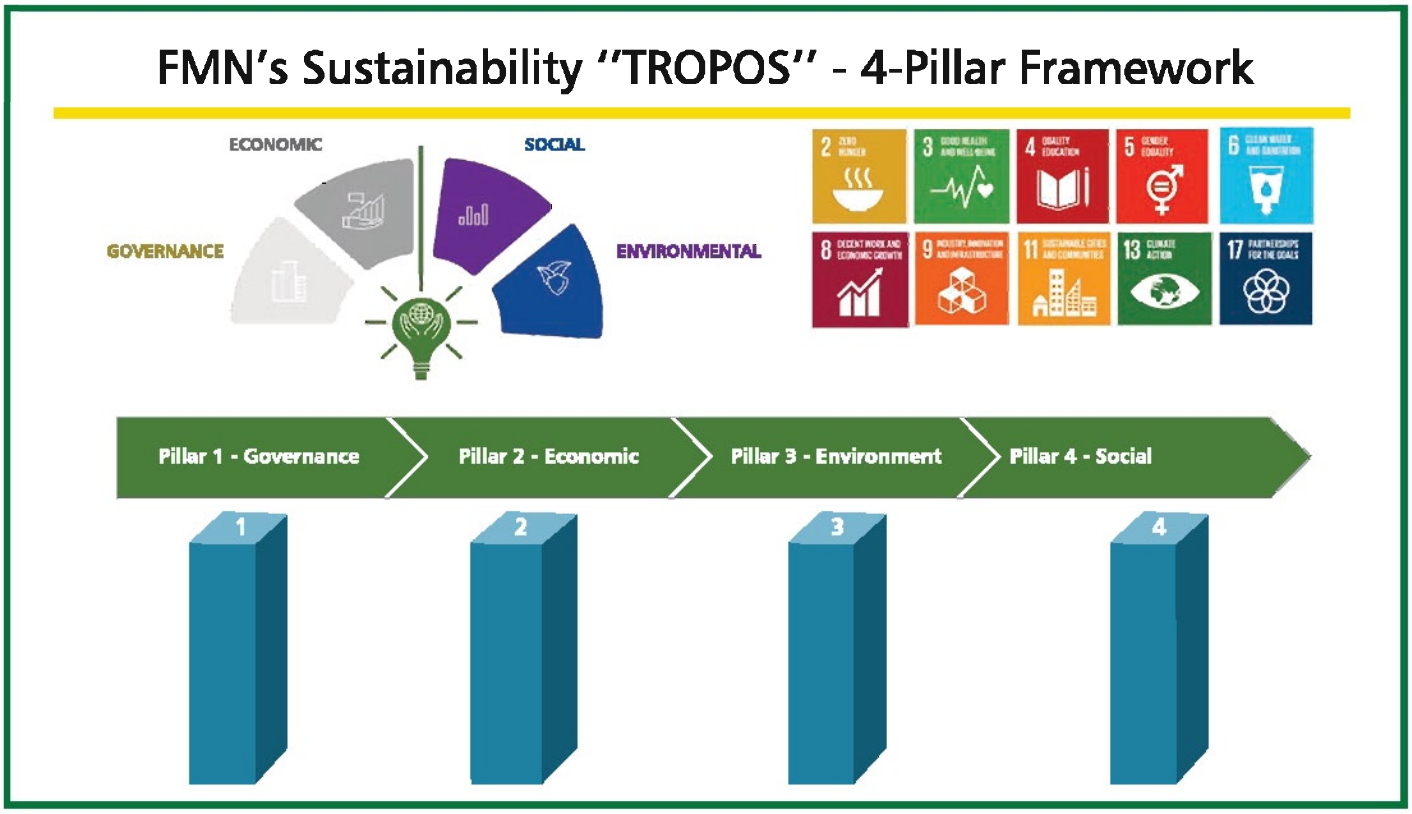

GOLDEN PENNY FOODS
The HOME of GOOD FOOD
Golden Penny Noodles
I want what I want
Golden Penny Instant Noodles
Jollof Hot Hot flavour
70g
GOLDEN PENNY JOLLOF HOT HOT FLAVOUR
NEW
GOLDEN PENNY GOAT MEAT PEPPERSOUP FLAVOUR
Golden Penny Instant Noodles
Jollof Chicken Flavour
GOLDEN PENNY JOLLOF CHICKEN FLAVOUR
GOLDEN PENNY CHICKEN FLAVOUR
Tantalizing flavours | Nourishing | 7% Protein | Quality Wheat


# 2023 SUSTAINABILITY & CSR REPORT

# 2023 SUSTAINABILITY & CSR REPORT

FMN is committed to creating sustainable and responsible value for all its stakeholders. Our approach to embedding sustainability across the business is driven through FMN's "Tropos" - 4 Pillar Framework comprising Governance, Economic, Environmental and Social pillars. These four pillars outline our key focus areas and structured commitment which consolidates all our sustainably efforts.

We identify with the United Nations Sustainable Development Goals (UN SDGs) and continue to drive efforts towards achieving some of the strategic targets of the goals. Our sustainability pillars are as follows.




# CSR

FMN is committed to a strategic and structured approach in the developmental needs of its communities. This has aided in deploying a more deliberate pathway to corporate social investments. For greater impact we have streamlined our CSR pillars from 5 pillars to 3 pillars that identify with the UN Sustainable Development Goals.

**5 Strategic Pillars (or Core Areas) for Social (Community) Investment**

1. Education (including skills development and R&D)
2. Environmental Sustainability
3. Health, Safety and Welfare of surrounding communities
4. Infrastructural Development
5. Security

**3 Strategic Pillars (or Core Areas) for Social (Community) Investment**

1. Education (including skills development and R&D)
2. Health, Safety and Welfare of surrounding communities (including Food & Nutrition)
3. Infrastructural Development

# EDUCATION (INCLUDING SKILLS DEVELOPMENT AND R&D)

We are committed to investing in activities that aid in increasing access to quality education, promote research and empower people through skills development. The following are some of the projects/initiatives executed during the period.

- Niger Mills Division recently commissioned its annual Host Communities' 2023 Skill Acquisition and Scholarship awards program to selected youths of the community.

Beneficiaries of the Niger Mills Skills acquisition program being addressed.

- We maintained our upkeep of the Vocational Centre for Children with special needs at Methodist Primary School, Apapa which has been up and running since 2017.

Students being trained at the vocational centre.

- Collaboration of a variety of Youth Empowerment programs for the Oluyole LGA, Oyo; including donation of generator sets

Oluyole Local Government Youth Empowerment

- In 2022 FMN renewed its partnership with World Connect, by providing funding for grassroot projects. Fourteen grants related to FMN funding and strategic focus area of Education and Skills Development were approved. The grants span a number of educational and training opportunities including technology distribution to students, graphic design and creative skills acquisition, agricultural skills development, fashion and tailoring, classroom infrastructure projects, woodwork, and marketing and business development training. Through the FMN partnership, World Connect committed to funding the education and empowerment of students across five states in Nigeria: Ogun, Lagos, Kaduna, Kano, and Oyo.

## GGSS BARNAWA LIVELIHOOD SKILLS CENTER, BARNAWA, KADUNA

This project included funding for a Livelihood Skills Center to be established at the Government Girls Secondary School in Barnawa, Kaduna. The project aims to provide training in catering, tailoring, and basic entrepreneurship to girls in their final year of high school, with plans for integrating the center into the school's Home Management curriculum.

# AREWA BOOKHUB, KANO

The Fagge Community Literacy Programme aims to enhance the literacy skills of secondary school girls in the Fagge community of Kano State, Nigeria. The project focuses on fostering a love for reading by creating a conducive reading hub, establishing reading clubs, and conducting awareness campaigns.



# KADUNA DIGITAL LITERACY ACCELERATION PROJECT, KADUNA STATE

The Kaduna Digital Literacy Acceleration Project (KADILAP) is an initiative aimed at promoting digital literacy inclusion. The project targets 50 teachers and 200 students from various schools in Chikun and Kaduna North LGAs of Kaduna State. A Computer Hub has been established at Government Secondary School Ungwan Boro Kaduna to facilitate the training activities. The project follows a two-phase approach, where teachers receive intensive training and subsequently train their students.

# HEALTH, SAFETY AND WELFARE OF SURROUNDING COMMUNITIES (INCLUDING FOOD & NUTRITION)

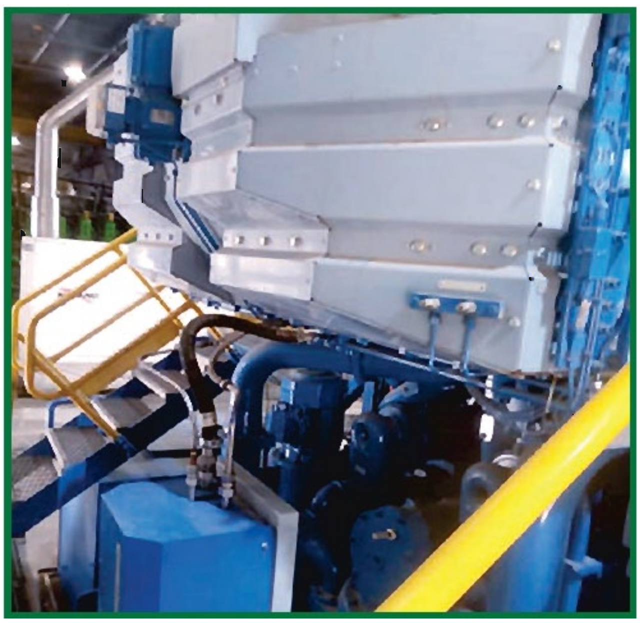
Through our activities, we are working to improve the health, safety and wellbeing of our employees and surrounding communities. The following are some projects implemented under this pillar.

In our journey towards zero accident and zero solid waste to landfill, we made a couple of milestones including reduction of trips of solid waste to landfill by 35.4% across Pilot Sites against last year. The health, safety, and well-being of all our employees has been our highest priority. We have remained committed in providing a safe workplace for all our staff, visitors, stakeholders, and contractors by ensuring that they all have a clear understanding of hazards that are present within their surroundings and intended operations, as well as the necessary support to ensure that all tasks are completed safely.

We launched the Behavioral Based Safety (BBS) program to enable us drive safety engagement across FMN and this has improved safety awareness and consciousness from the top leadership to the shopfloor workers. Also, as part of our major achievement the entire FMN group collectively took a stand against workplace fatality through the companywide campaign on the **"Never Again on my Watch"** mandate. This has yielded positive results in accident reduction.

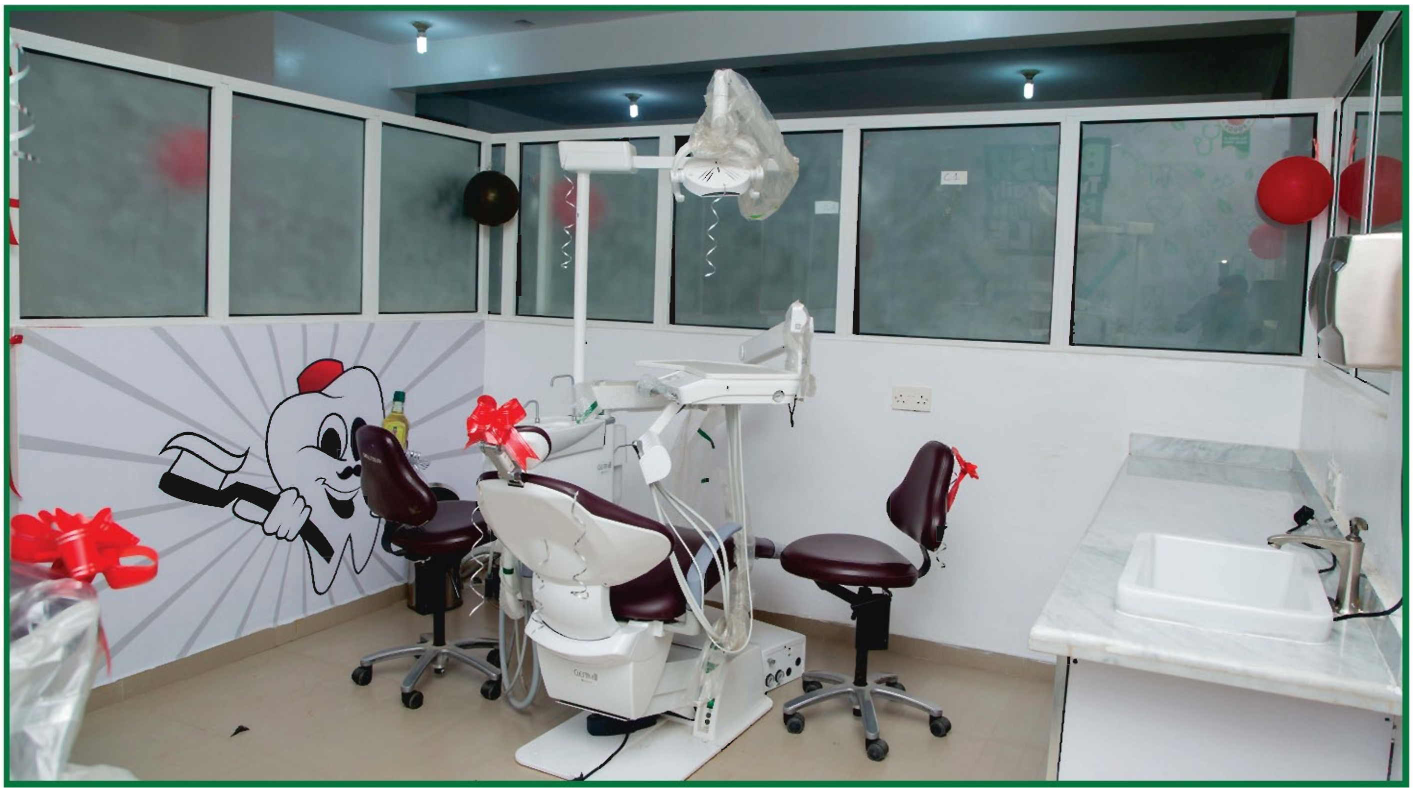
At Northern Nigeria Flour Mills Plc Kano, we achieved a huge milestone of 1545 days without a lost time injury (LTI) and still counting. This milestone is a great achievement requiring more than just luck. Other HSE milestones achieved within the 2022/2023 FY across FMN sites are:

- In a bid to improve FMN power generating capacity, Wartsila 3 engine with maximum capacity of 5.8MW was installed and commissioned. Achieved Over 6000 manhours with zero HSE reportable case



- In a bid to reduce carbon emission and maximize energy reutilization, a steam boiler was installed at Powerplant, Apapa. We achieved up to 1200 manhour with no reportable case.

■ Donation of Medical PPE to Apapa General Hospital & Federal Medical Centre Ebute Metta.



■ Before and after pictures of Phase 3 of the renovation works at Faculty of Dental Sciences, College of Medicine, University of Lagos.


In 2022 FMN renewed its partnership with World Connect, by providing funding for grassroot projects. Three grant requests for health initiatives related to the funding partnership with FMN were approved. The projects span a wide variety of critical healthcare services including construction of new WASH facilities, hospital infrastructure projects, training of community health workers and birth assistants, training and distribution of feminine hygiene products, and added support for existing primary health facilities to deliver quality maternal services.

Through the Flour Mills of Nigeria partnership, World Connect has committed to funding the training and access to quality healthcare across three states in Nigeria: Ogun, Kaduna, and Taraba.

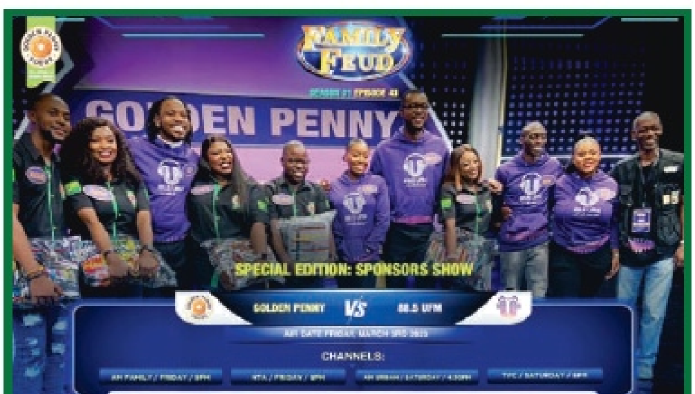
# COMMUNITY LIFESAVING CLINIC, KABRI-CHANA COMMUNITY

Rural Health Mission Nigeria and Kabri-chana community development association, having worked together for the past three years identified the need to establish a community focused maternity health facility as the second phase of the lifesaving intervention project for sustainability. The overall goal of this project is to build a self-sustaining health facility that provides community-focused basic maternal and child health services in the Kabri-chana community. The objective is to sustainably provide quality healthcare with less dependency on grants in order to reduce the maternal and child mortality burden in Nigeria.

# CHARITABLE DONATIONS

- Modupe Cole Memorial Child Care and Treatment Home, Bariga.

- Golden Penny Foods as one of the sponsors of the Show- Family Feud's Special Edition for Charity played and won N2.5million which was donated to Modupe Cole Memorial Child Care and Treatment Home



- Special Correctional Center for Girls, Idi Araba others.

- Relief Materials to the School of Handicap

- Winnies Castle Orphanage Home Visit

- Donation of 3.5KVA Generator to the Palace of Alayunre of Idi-Ayunre community, Ibadan.

# INFRASTRUCTURAL DEVELOPMENT

FMN supports the improvement of quality of lives and access to basic amenities through sustainable development of infrastructures. To support progress in this area, the following are some of the projects executed within the period.

- Completed Solar Powered Water Project at Gbaji-Yeke Community, Badagry to improve water and sanitation for over 3000 community residents.

- Borehole commissioning for our Host Communities through Niger Mills Divison at Ikot Abasi Obori and Ikot Eka Edem Communities, Calabar.


- Honeywell Sagamu donated a drainage to its host community to improve the drainage system & overall wellbeing of its host community.

- The Company also ensured road access to remote villages after the record floods by building culverts and maintaining more than 30 kilometers of road in Sunti, Niger State.

- A dike system was constructed to protect one of the host communities that is inundated with floods on a yearly basis in Sunti community.

- The company Recently provided portable water through construction of boreholes for Ogundele and Jogun Village communities which host our PEOPL subsidiary.

# AWARDS/EVENTS

- For the past four years FMN has consistently won awards at the prestigious Sustainability Enterprise &Responsibility Awards (SERAS). In 2022, the company won in two categories - Best Company in Supply Chain and Stakeholder Engagement respectively.

- FMN won the prestigious Pearl Awards for Sectorial Leadership in Consumer Goods for Food Production and Beverage Category.

- The company Won 1st and 2nd positions in the Micro-nutrient Fortification Index (MFI) top 5 for the Brands – Golden Penny Prime Flour and Classic All Purpose were recognized for achieving Food Fortification Excellence in Nigeria.

- AFRISAFE AWARDS, in 2022-" The biggest HSE Award in Africa"- FMN received two prestigious awards for its exemplary contribution towards the advancement of Health, Safety, Environment and Well-being in Africa.

- Nigeria Ports Authority awarded a 2022 Gold Merit Award to Apapa Bulk terminal for their excellent performance in Health, Safety and Environment (HSE) compliance in the Port Terminal Category

- 2022 FMN Quality Week



# FMN WOMEN NETWORK

- FMNWN Annual Conference- The Chairman and FMN Women Network's executives flagged with FMN Leadership and external speakers at the event.



Girls in Action


GOLDEN PENNY FOODS
The HOME of GOOD FOOD
Introducing
JOLLOF
HOT HOT
FLAVOUR
"I WANT WHAT I WANT"
Golden Penny
Instant Noodles
Jollof Hot Hot flavour
70g
Ready to serve in 3 Minutes
Serving Suggestion


GOLDEN PENNY FOODS
The HOME of GOOD FOOD
Eforiro will love it
My soup's first choice
Easy to mould
Easy to swallow
Fortified with Vitamins and Minerals
Premium wheat
GOLDEN PENNY
SEMOVITA
Premium Quality

# E-Mandate Activation Form

Affix Current Passport Photo

Please write your name at the back of your passport photograph

Atlas Registrars Ltd.

## E-MANDATE ACTIVATION FORM

Instruction

Only Clearing Banks are acceptable

Please complete all sections of this form to make it eligible for processing and return to the address below

**The Registrar,**
Atlas Registrars Limited
34, Eric Moore Road, Iganmu (Bagco Building) Surulere
P. O. Box 3554, Surulere, Lagos State.

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

Kindly tick & quote your shareholders account no. in the box below

| Tick | Name of Company | Shareholder's Account Number |
|---|---|---|
| | FLOUR MILLS OF NIG. PLC | |
| | NORTHERN NIG. FLOUR MILLS PLC | |
| | HONEYWELL FLOUR MILLS PLC | |

Bank Verification Number

*

Bank Name

Bank Account Number

Account Opening Date

* Please ensure that the name on your Bank Account corresponds with that in our records as any contrary Name(s) would void your request

### Shareholder Account Information

Surname / Company's Name First Name Other Names

Address:

City State Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1 Mobile Telephone 2

Email Address

** *Signature(s)*

Joint/Company's Signatories

Company Seal/ Incorporation Number (Corporate Shareholder)

(CORPORATE BODIES)
PLEASE ATTACH BOARD RESOLUTION IN RESPECT OF BANK MANDATE

**The signature(s) must correspond with your specimen held in our records as any contrary signature(s) or non-existence in our records would void your request.

***

AUTHORISED SIGNATORY AND STAMP OF BANKERS

*** The Bank stamp and signature of the authorised signatory of your bank is required to confirm that the Bank details and signature(s) is/are that of the shareholder(s) or an authorised signatory, before returning to the Registrars.

I/We confirm that all information supplied is to the best of my/our knowledge correct and hereby covenant to indemnify and forever keep indemnified the **security issuer**, the **directors**, the **security registrar, the directors and officers of the security registrar** from and against all losses in respect thereof and all claims, actions, proceedings, demands, cost, expenses whatsoever which may be made or brought against them by reason of compliance with this request

**Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: +234 8175425054, 08108724445**

**Atlas Registrars Limited**
website: atlasregistrars.com email: atlasregistrars@yahoo.com, registrars@atlasregistrars.com

# ATLAS REGISTRARS LIMITED

## SHAREHOLDERS' DATA UPDATE

- Flour Mills of Nigeria Plc
- Northern Nigeria Flour Mills Plc
- HoneyWell Flour Mills Plc

Dear Shareholders,

(1) To enable us serve you better through prompt payment of dividends, electronic distribution of notices and Annual Reports and Accounts, Update and execution of your mandates and instructions, we request that you kindly avail us with the underlisted information to enable us update your records:

- Surname
- Other Names
- Current address
- E-mail Address
- GSM Number
- Bank Verification Number (BVN)
- Bank Name
- Bank Account Number

(2) Securities and Exchange Commission (SEC) has directed Capital Market Registrars as follows

- To stop the issuance of dividend warrants to investors.
- That all dividends be credited into shareholders designated bank account directly

By this directive, we advise that if you have not mandated your dividends to your designated bank account, please do so immediately.

**KINDLY UTILIZE ANY OF THE CHANNELS BELOW:**

- Visit our website to download DATA UPDATE and/or E-MANDATE ACTIVATION FORM www.atlasregistrars.com
- Scan completed copies and send to our e-mail addresses below: registrars@atlasregistrars.com; atlasregistrars@yahoo.com
- E-Mandate Activation Form could also be downloaded from your bank,

**OR**

- Kindly pick-up any of the forms for your update at our office located at:

**ATLAS REGISTRARS LIMITED**
**BAGCO BUILDING,**
**34, ERIC MOORE ROAD, IGANMU, LAGOS**

Atlas Registrars Ltd.
34, Eric Moore Road Iganmu,
(BAGCO Building), P. O.
Box 341 Apapa Lagos
State Nigeria

# Proxy Form

**FLOUR MILLS OF NIGERIA PLC**
**63RD ANNUAL GENERAL MEETING TO BE HELD BY 2PM**
**ON THURSDAY 9TH NOVEMBER, 2023**
**AT THE LANTANA HALL, EKO HOTEL & SUITES,**
**ADETOKUNBO ADEMOLA STREET, VICTORIA ISLAND, LAGOS.**

I/We* ……………………………………………………………......
of …………………………………………………………………….

being member(s) of Flour Mills of Nigeria Plc hereby appoint
……………………………………………………………………
…………………………………………………………………......
of……………………………………………………………………
or failing him, the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting of the company to be held on 9th November, 2023 and at any adjournment thereof.

Dated this……….........day of……….…………….2023

Signature ..............................................................................

**Notes:**

1. Please sign this proxy card and post it to reach the Registrars not less than 48 hours before the time for holding 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.

**voting**
4. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders should be shown.

| RESOLUTIONS | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| **Ordinary business** | | | |
| 1. To declare a dividend | | | |
| 2.(i) To re-elect the following Directors:<br>- Mr. Paul M. Gbededo<br><br>- Alhaji Yunus O. A. Saliu<br>- Mr. Folarin R. A. Williams<br>- Mrs. Juliet C. Anammah<br>- Mr. Muhammad K. Ahmad | | | |
| 3. Disclose the remuneration of Managers of Flour Mills of Nigeria Plc. | | | |
| 4. To authorize the Directors to fix Auditors' remuneration. | | | |
| 5. To elect members of the Audit committee. | | | |
| **Special Business** | | | |
| 6. To renew the resolution on the general mandate of shareholders to the company to enter into recurrent transactions with related parties. | | | |
| 7. To consider and if thought fit, approve the amendment of Clause 27 of the Company's Memorandum and Articles of Association. | | | |
| 8. To consider and if thought fit, approve the carve out of the business of BAGCO from that of Flour Mills of Nigeria Plc into a 100% owned subsidiary and divestment of 60% equity of Flour Mills of Nigeria Plc in BAGCO. | | | |

**Please indicate with "x" in the appropriate box how you wish your vote to be cast on the resolutions set out above**

**Unless otherwise instructed, the Proxy will vote or abstain from**

**at his / her discretion.**

------------------------------------------------------------------------------------------------

*Before posting the above, Please tear off this part and retain it for admission to the meeting*

**ADMISSION CARD**
**FLOUR MILLS OF NIGERIA PLC**
**63RD ANNUAL GENERAL MEETING TO BE HELD BY 2 PM**
**ON THURSDAY 9TH NOVEMBER, 2023**
**AT THE LANTANA HALL, EKO HOTEL & SUITES,**
**ADETOKUNBO ADEMOLA STREET, VICTORIA ISLAND, LAGOS.**

NAME OF SHAREHOLDER*…………………………………………………………………...............................................................………….

**IF YOU ARE UNABLE TO ATTEND THE MEETING**
A member (shareholder) who is unable to attend the annual general meeting is allowed by law to vote by proxy. A proxy need not be a member of the Company. The above proxy card has been prepared to enable you exercise your right to vote if you cannot personally attend.

Following the normal practice, the Chairman of the Company has been entered on the form to ensure your representation at the meeting, but if you wish, you may insert in the blank space on the form (marked**) the name of any person who will attend the meeting and vote on your behalf instead.

**IMPORTANT*** Please insert your name in BLOCK CAPITALS on both proxy and admission card where marked*.

Website: www.fmnplc.com
Email: info@www.fmnplc.com
Phone: +234 (705) 689-1000
+234 (705) 689-2000
Address; 1 Golden Penny Place, Wharf Road, Apapa,
Lagos State, Nigeria