BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2022

Contents

Corporate information

Company registration number

RC 1193879

Board of Directors

Abdul Samad Rabiu CFR, CON	Nigerian	Chairman
Yusuf Haliru Binji	Nigerian	Managing Director/Chief Executive Officer
Jacques Piekarski	Swiss	Chief Finance Officer
Kabiru Rabiu	Nigerian	Non-Executive Director
Chimaobi Madukwe	Nigerian	Non-Executive Director
Finn Arnoldsen	Norwegian	Non-Executive Director
Shehu Abubakar	Nigerian	Independent Non-Executive Director
Khairat A. Gwadabe	Nigerian	Independent Non-Executive Director

Acting Company secretary

Hauwa Satomi (Mrs.)
32, Churchgate Street
Victoria Island
Lagos

Registered office

32 Churchgate Street
Victoria Island
Lagos

Plant locations

Km 164 Benin-Okene Expressway
Okpella
Edo State

Km 10 Kalambaina Road
Sokoto State

Independent auditor

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos

Principal bankers

Access Bank Plc
Coronation Merchant Bank Limited
Eco Bank Nigeria Plc
Fidelity Bank Plc
First Bank Nigeria Limited
First City Monument Bank Limited
Guaranty Trust Bank Plc
Keystone Bank Limited
Nova Merchant Bank Limited
Polaris Bank Limited
Stanbic IBTC Bank Plc
Standard Chartered Bank Nigeria Limited
Taj Bank Limited
Union Bank of Nigeria Plc
United Bank for Africa Limited
Zenith Bank Plc

The Directors are pleased to present their annual report together with the financial statements of BUA Cement Plc ("the Company") for the year ended 31 December 2022.

1 **Legal form**

BUA Cement Plc was incorporated as a limited liability company on 30 May 2014 and commenced business in August 2015. The Company was converted from a private limited liability company to a public limited liability company on 16 May 2019, as a prelude to a scheme of merger. The Company merged with the defunct Cement Company of Northern Nigeria Plc in a scheme of merger on 23 December 2019 and was listed on the Nigerian Stock Exchange on 9 January 2020.

2 **Principal activities**

The principal activities of the Company are manufacturing and sale of cement to the general public.

3 **Result for the year**

The Company's results for the year ended 31 December 2022 are set out on page 28. The profit for the year has been transferred to retained earnings. The summarised results are presented below:

	31 December 2022 N'000	**31 December 2021 N'000**
Revenue from contracts with customers	360,989,105	257,327,091
Profit before tax	120,154,050	102,873,325
Income and deferred tax expense	(19,143,424)	(12,794,314)
Profit after tax	101,010,626	90,079,011

4 **Dividend declaration**

The Board of Directors ("the Board") recommends for the approval of shareholders a payment of N2.80k dividend per 1 ordinary share of 50 kobo each, out of the profits declared in the financial year ended 31 December 2022 (2021: N2.60k).

If approved, dividends paid to shareholders will be subject to the deduction of withholding tax at the appropriate rate at the time of payment.

5 **Directors and Directors' interests**

The names of the Directors as at year end and the date of this report are as set out in the corporate information page.

The direct and indirect interests of Directors in the issued share capital of the Company, as recorded in the Register of Directors' Shareholding and as notified by the Directors for complying with Section 301, of the Companies and Allied Matters Act, 2020 and listing requirements of the Nigerian Exchange Group are as set out below.

5 **Directors and Directors' interests (continued)**

		31 December 2022 Number of Shares held	31 December 2021 Number of Shares held
Direct holding	**Representing**		
Abdul Samad Rabiu CFR, CON	-	19,044,995,225	19,044,995,225
Yusuf Haliru Binji	-	827,080	827,093
Chimaobi Madukwe		845,450	820,000
Kabiru Rabiu		820,000	820,000
Finn Arnoldsen		820,000	820,000
Shehu Abubakar		1,000,000	450
Jacques Piekarski		820,000	820,000
Indirect holding			
Abdul Samad Rabiu	Damnaz Cement Company Limited	637,403,152	637,403,152
	BUA Industries Limited	13,562,681,069	13,562,681,069
	BUA International Limited	8,162,766	19,166,766
Total		33,258,374,742	33,268,353,755

The Directors have complied with the provisions of Section 277 of the Companies and Allied Matters Act at the date of this report.

6 **Statistical analysis of the shareholding as at 31 December 2022**

Range of Shareholding	Number of Shares held	Holder %	Holders Cumulative	Units	Units %	Units Cumulative
1-1000	22,061	60.76%	22,061	8,241,655	0.02%	8,241,655
1001-5000	9,486	26.13%	31,547	20,790,836	0.06%	29,032,491
5001-10000	1,623	4.47%	33,170	11,877,663	0.04%	40,910,154
10001-50000	2,555	7.04%	35,725	63,089,729	0.19%	103,999,883
50001-100000	302	0.83%	36,027	21,230,377	0.06%	125,230,260
100001-500000	194	0.53%	36,221	44,053,095	0.13%	169,283,355
500001-1000000	45	0.12%	36,266	32,793,197	0.10%	202,076,552
1000001-999999999999	41	0.11%	36,307	33,662,277,508	99.40%	33,864,354,060
	36,307	100%		33,864,354,060	100%	

Substantial Interest in Shares

According to the register of members as at 31 December 2022, no individual shareholder held more than 5% of the issued share capital of the Company except the following:

Shareholders	No. of shares held	% of shareholding
Abdul Samad Rabiu CFR, CON	19,044,995,225	56.24%
BUA Industries Limited	13,562,681,069	40.05%

6 Statistical analysis of the shareholding as at 31 December 2022 (continued)

Shareholding per category

S/N	Holder type	Holder count	Holdings	Percentage (%)
1	Corporate	699	14,515,057,647	42.86%
2	Foreign	80	67,702,215	0.20%
3	Government	20	9,278,534	0.03%
4	Individual	35,462	19,255,936,363	56.86%
5	Institution	8	563,045	0.00%
6	Joint	31	2,569,341	0.01%
7	Pension	7	13,246,915	0.04%
		36,307	**33,864,354,060**	**100%**

7 Property, plant and equipment

Information relating to changes in property, plant and equipment during the year are shown in Note 15. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the value shown in the financial statements.

8 Charitable donations

In accordance with Section 43 (2) of the Companies and Allied Matters Act 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2021: Nil),

Charitable gifts totaling N1.07 billion (2021: N1.02 billion) were given out in accordance with the Company's policy on social development and improvement of the community.

A listing of the beneficiary organisations and the amounts donated to them are as shown in the table:

	N'000
Annual development levy - Okpella town	200,000
Borehole reactivation at Awuyemi & Ogute -Okpella	1,500
10 units of pick up double cabin van for Okpella vigilante security	155,615
Fence and gate erection at Oko prison, Benin.	2,000
Road construction for Imioshoga Iddo, Okpella	8,000
Seed fund to Okpella Skill acquisition graduands	20,600
Scholarship award to Okpella students	50,385
Renovation of 6 classroom blocks at ITSUKWI-Okpella	5,981
Renovation of 6 classroom blocks at Okpekpe	7,098
Rehabilitation of Okugbe-Imiekuri road at Okpella	49,922
Construction of Afokpella - Camp concrete road - Okpella	327,029
Renovation of FRSC office at Okpella	3,348
Construction of drainage at Okpekpe	6,200
Reconstruction of Afokpella community road	10,000
Solar industrial borehole with 14000ltrs overhead tank-Oteku,Okpella	24,165
Solar industrial borehole with 14000ltrs overhead tank-Ogute, Okpella	22,700
Installation cost of 6 transformers at Okpella	25,000
Supply and installation of transformer at Specialist Hospital, Sokoto	12,896
Electrification of Hunde Chebuwa village, Sokoto	13,005
Construction of pump house at Gidan Gamba village, Sokoto	1,379
Construction of pump house at Girafshe area, Sokoto	1,379
Drilling of 6inch solar water borehole at Dagilawa community, Sokoto	9,807
Expansion of hall stage for the construction of exam hall at BUA Cement School, Sokoto	5,093
Support to Sokoto State Handball Association	3,000
Donation to Centre for Intellectual Services on Sokoto Caliphate for purchase of books	500
Donation of 1000 sets of students desk and chair at Sokoto Cement Schools, Sokoto	32,250
Borehole construction at Gagi community, Sokoto	15,582
Sponsorship of the Sokoto, Kebbi and Zamfara joint Trade fair	5,000
Relocation of 300KVA 11/0.415KV transformer for the Gidam Gamba community	4,336
Electrification of Wajeke III	49,911
Total	**1,073,681**

9 **Acquisition of own shares**

The Company did not purchase any of its own shares during the year (2021:Nil).

10 **Securities Trading Policy**

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers' Rules), BUA Cement Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's securities. The policy is periodically reviewed by the Board and updated. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period under review.

11 **Free Float Declaration**

BUA Cement Plc with a free float value of N59,234,477,064 as at 31 December 2022 is compliant with the free float requirement for the Main Board of the Nigerian Exchange Group.

Share Price at end of reporting period:		N97.75
Description	**Units**	**Percentage (In relation to Issued Share Capital)**
Issued Share Capital	33,864,354,060	100
Details of Substantial Shareholdings (5% and above)		
Abdul Samad Rabiu CFR, CON	19,044,995,225	56
BUA Industries Limited	13,562,681,069	40
Total Substantial Shareholdings	32,607,676,294	96
Directors' Shareholdings (direct and indirect)		
Abdul Samad Rabiu CFR, CON - Indirect	645,565,918	1.91
Yusuf Haliru Binji- Direct	827,093	0.002
Jacques Piekarski- Direct	820,000	0.002
Kabiru Rabiu- Direct	820,000	0.002
Kenneth Chimaobi Madukwe - Direct	845,450	0.002
Finn Arnoldsen- Direct	820,000	0.002
Shehu Abubakar- Direct	1,000,000	0.003
Total Directors' Shareholdings	650,698,461	1.92
Other Influential Shareholdings	-	-
Total Other Influential Shareholdings	-	-
Free Float in Units and Percentage	**605,979,305**	1.79
Free Float in Value (N)	**59,234,477,064**	

12 **Human Resources Policy**

i **Recruitment**

The Company conforms with all regulatory requirements in the employment of staff, whilst also ensuring that only fit and proper persons are approved for appointment to board or top management positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointments are duly implemented.

ii **Employee health, safety and welfare**

The Company is committed to providing a safe and healthy work environment for its employees. In keeping with the safety guidelines released by the Nigerian Centre for Disease Control, the Company engaged a hybrid work strategy allowing members of staff to rotate between working remotely and working onsite. The Company's offices are organised in such a way to ensure physical distancing and observance of all safety protocols. The Company meets all safety standards and these include provision of sanitary tools, adequate protective clothing, firefighting equipment and footwear.

Furthermore, the Company reviewed and deployed a Consolidated HCSE policy and 9 Golden Rules of Safety to facilitate its drive towards achieving excellence in HCSE performance. To be more proactive in managing process safety risks, a dedicated Fire and Risk Unit was established and resourced, this is addition to acquisition of state-of-the-art fire equipment.

12 Human Resources Policy (continued)

iii Employment of disabled persons

The Company has a policy of no discrimination in consideration of applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. There are currently four (4) physically challenged persons in the Company's employment.

iv Employee involvement and training

The Company believes that its employees are an invaluable asset. It focuses on nurturing employees' talents and equipping them with the knowledge and skill to fulfil their potential. The Company places high priority on training and development and as such it sponsors both local and international training courses for employees.

At BUA Cement Plc, all employees are involved in mapping the future of the business with open communication playing a pivotal role. Effective channels exist to keep employees fully informed about the Company's performance and progress. Employees make suggestions to improve the Company's processes at various general staff meetings. Through well-designed and implemented incentive schemes, employees are also encouraged to participate in the ownership of the business.

13 Directors Interest in Contracts

None of the Directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act, 2020 that they were members or held shareholding of some specified companies that could be regarded as interested in any contracts with which the Company was involved as at 31 December 2022.

14 Events after reporting period

There was no event after reporting period.

15 Approval of financial statements

The Directors on 23 February 2023 have approved these financial statements for the year ended 31 December 2022 for issue.

16 Independent auditor

PricewaterhouseCoopers ("PwC") acted as the Company's Independent Auditor during the year under review. PwC have indicated their willingness to continue in office as Independent Auditor in accordance with Section 401 of the Companies and Allied Matters Act 2020. A resolution will be proposed authorizing the Directors to fix their remuneration at the Company's general meeting.

By order of the Board of Directors

Hauwa Satomi (Mrs.)
Ag. Company Secretary
FRC No.: FRC/2022/NBA/002/00000023786
BUA Cement Plc
Lagos, Nigeria

Dated this: 23rd day of February 2023

The Board of BUA Cement PLC ("the Company" or "BUA Cement") is pleased to present the corporate governance report, which provides insight into the Company's governance structure as well as its compliance with the relevant corporate governance codes guiding good corporate governance practices in Nigeria. This report pertains to the principal activities of the Company for the 2022 financial year.

BUA Cement recognizes that a sound corporate governance culture is central to maintaining the trust and confidence placed in the Board by the shareholders, customers, suppliers, employees, regulators and the entire public. This also ensures delivery of long-term share value and consistent good returns on investment. As part of the Company's growth strategy, strong governance framework is in place to safeguard the shareholders' investment. The Board is the main driver of the Company's corporate governance practices and has established a governance framework (Board Charter, Board Committees' Charters and other Governance Policies) in line with international best global practices, relevant Codes of Corporate Governance and the post listing requirements of the Nigerian Exchange Group.

BUA Cement's corporate governance processes and policies are founded on the pillars of accountability, efficiency and effectiveness, fairness, responsibility, transparency and independence. The Company's governance structure ensures that Managers at every level are held accountable and stakeholder views are taken seriously. To ensure good corporate governance practices, the Company continues to review its governance processes from time to time to align with the various applicable local legislation and international best practices.

The Board

The Board is the highest governing authority within the Company. It is accountable to the Shareholders to create and deliver sustainable value through the management of the Company's business. Directors of the Company possess the right balance of expertise, skills and experience, which translates to an effective Board and a Management team capable of steering the affairs of the Company in an ever changing and challenging environment.

The responsibilities of the Board are clearly outlined in the Board Charter, highlights of which are as follows:

1. To oversee the continuous implementation of corporate governance principles and guidelines within the Company.

2. To approve the Company's strategy and make decisions on capital structure and allocation.

3. To consider and approve the Succession Plan for the Board and Senior Staff of the Company.

4. To review and approve compensation policy for the Company and make decisions relating to the appointment, promotion or termination of Senior Management staff.

5. To ensure that the Company maintains a sound system of internal controls to safeguard the investment and assets of the Company.

The Board is responsible for the efficient operation of the Company and ensures that the Company fully discharges its legal, financial and regulatory responsibilities. The Board delegates the operational management of the Company's businesses to the Managing Director who reports to the Board and who can sub-delegate any of his duties as appropriate.

The Delegation of Authority Matrix approved by the Board defines the relevant approving entity (Managing Director, Board or Shareholders) for various transactions and business decisions for the Company, including authority to commit to a transaction or risk.

Composition of the Board

As at December 31, 2022, the Board is composed of eight (8) Directors that are diverse with skills in manufacturing, engineering, business, finance and law. The Directors consist of six (6) Non-Executive Directors, two (2) of whom are independent and two (2) Executive Directors, one of whom is also the Managing Director. This is in alignment with global best practice that encourages a higher percentage of Non-Executive Directors to Executive Directors. All Directors are distinguished by their high level of competencies, business and commercial experience, integrity and independence of opinion.

There were no changes to Board's composition during the year.

The Chairman and The Chief Executive Officer

The roles of the Chairman and Managing Director of the Company are distinct and not occupied by the same person. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. He is also responsible for the overall operation and governance of the Board, management of the Board's business and setting of the Board agenda in consultation with the CEO and the Company Secretary.

The Chairman also facilitates the contribution of other Directors, promotes effective relationships, and open communication between the Executive and Non-Executive Directors, both inside and outside the Boardroom. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors and is responsible for coordinating the day-to-day activities of the Company.

The Company Secretary

The Company Secretary and General Counsel provides support, governance advice and guidance to the Board and the individual Directors, on their powers, duties and responsibilities, and supports the Board. The Company Secretary ensures that all regulations and procedures for the conduct of the affairs of the Board are complied with at all times. The Company Secretary also serves as the Secretary to all the Board Committees and the Statutory Audit Committee and attends all the meetings of the Board and the Committees.

Board Appointment Process

The Governance, Establishment and Remuneration Committee ("Governance Committee") is responsible for continuously reviewing the qualities and skills needed to complement the Board.

Upon the recognition of an exit or vacancy on the Board, the Governance Committee develops and documents specifications of the skills, personal attributes, knowledge and experience required to fill the gap.

The Governance Committee then interviews prospective candidates, comparing their experience with the specifications earlier identified and nominates prospective Directors.
Thereafter, the Board considers and approves or rejects the nominations presented by the Governance Committee.

A formal induction program is conducted for new Directors to ensure that they are adequately acquainted with the Board's practices and the Company's operations. In addition to an appointment letter documenting their roles and responsibilities, new appointees also receive copies of the Board Charter, Committee Charters, Other Approved Governance Policies and the Company's Memorandum and Articles of Association.

Board Appointment Process (continued)

All Directors are encouraged to continue to update their skills and knowledge on an individual basis while the Company provides additional training for Directors continuously. The training courses organized for Directors are geared towards giving the Directors a broader understanding and knowledge of the regulatory and competitive environment in which the Company operates.

Board Meetings

The Board meets quarterly in accordance with the approved Annual Calendar of Board meetings to perform its oversight function and to monitor the performance of management. Special Board meetings are scheduled whenever business exigencies arise which require the urgent attention of the Board. Between meetings, the Board maintains regular contact with Management.

All Directors are provided with notices, agenda and meeting papers in advance of each meeting to enable Directors adequately prepare for the meeting. Where a Director is unable to attend a meeting he/she is still provided with the relevant papers for the meeting. Such a Director also reserves the right to discuss with the Chairman any matter he/she may wish to raise at the meeting. Directors are also provided with regular updates on developments in the regulatory and business environment.

The Board met six (6) times during the period under review.

Attendance Register of the Members of the Board for the year ended December 31, 2022:

Name of Director	**Date of meeting and attendance**					
	20/01/2022	**24/03/2022**	**21/04/2022**	**20/07/022**	**24/10/2022**	**8/12/2022**
Abdul Samad Rabiu, CFR, CON	P	P	P	P	P	P
Yusuf Haliru Binji	P	P	P	P	P	P
Chimaobi Madukwe	P	P	P	P	P	P
Kabiru Rabiu	P	P	P	P	P	P
Finn Arnoldsen	P	P	P	P	P	P
Khairat Abdulrazaq Gwadabe	P	P	P	P	P	P
Shehu Abubakar	P	P	P	P	P	P
Jacques Piekarski	P	P	P	P	P	P

Note: P = Present

Board Committees

In addition to the Statutory Audit Committee, the Board carries out its responsibilities through three (3) Committees, which have clearly defined terms of reference, setting out their powers, tenure and responsibilities. The Committees include; Finance and General-Purpose Committee; Governance, Establishment and Remuneration Committee; and Risk Management Committee.

Through these Committees, the Board is able to effectively carry out its oversight responsibilities and take advantage of individual expertise to formulate strategies for the Company. The Committees render reports to the Board on their activities at Board meetings in accordance with the Board reporting matrix. The Board retains responsibility for final decision making while committees are tasked with making recommendations on matters presented to them.

(a) Finance and General-Purpose Committee

The Finance and General-Purpose Committee is responsible for reviewing and providing recommendations to the Board on matters relating to finance, strategy, capital and investment planning and budgetary performance. Its functions among others include:

a. Vetting the budget, audited and management accounts

b. Reviewing the capital structure of the Company including any issue of share options or other securities, any share buy-back, and any other changes in the capital structure of the Company

c. Reviewing contracts for capital projects beyond the approval limits of the management

d. Periodically reviewing the Company's financial position including its liquidity

The Committee held six (6) scheduled meetings in the year; the membership and attendance of the Committee are as shown in the table below:

S/N	Name	Date of meeting and attendance					
		19/01/2022	23/03/2022	20/04/2022	19/07/2022	19/10/2022	7/12/2022
1	Kabiru Rabiu	P	P	P	P	P	P
2	Chimaobi Madukwe	P	P	P	P	P	P
3	Shehu Abubakar	P	P	P	P	P	P
4	Yusuf Haliru Binji	P	P	P	P	P	P
5	Jacques Piekarski	P	P	P	P	P	P

Note: P = Present

(b) Governance, Establishment and Remuneration Committee

The Governance, Establishment and Remuneration Committee is responsible for reviewing and providing recommendations to the Board on matters relating to Nomination; Governance; Remuneration; Succession Planning; and Board Evaluation. Its functions among others include:

a. Overseeing the nomination and appointment of Board members.

b. Receiving, reviewing and making recommendations to the Board on the Board and Board Committee Charters as well as the Directors' Terms of Engagement.

c. Reviewing and approving the terms of service upon appointment and any subsequent changes, including the total individual remuneration package for the Executive Directors and senior executives.

(b) Governance, Establishment and Remuneration Committee (continued)

d. Assessing and planning the Board composition and succession considering the competencies and skills necessary for the Board as a whole, the competencies and skills that the Board considers each existing Director to possess, and the competencies and skills that each new nominee would bring to the Board;

e. Ensuring the performance of an annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard.

f. Considering the appointment, termination and discipline of Senior Management.

The Committee held four (4) scheduled meetings in the year; the membership and attendance of the Committee are as shown in the table below:

S/N	Name	Designation	Date of meeting and attendance			
			22/03/2022	19/04/2022	18/07/2022	18/10/2022
1	Khairat Abdulrazaq Gwadabe	Chairman	P	P	P	P
2	Chimaobi Madukwe	Member	P	P	P	P
3	Kabiru Rabiu	Member	P	P	P	P
4	Finn Arnoldsen	Member	P	P	P	P

Note: P = Present

(c) Risk Management Committee

The Risk Management Committee is responsible for reviewing and providing recommendations to the Board on matters relating to Internal Control; Enterprise Risk Management; and Health, Safety, Security & Environment. Its functions include:

a. Ensuring the development of a comprehensive internal control framework for the Company, obtain assurance and report annually in the financial report on the operating effectiveness of the Company's internal control framework;

b. Reviewing and approving the Company's risk management policy including risk appetite and risk strategy;

c. Reviewing and recommending the Company's Health, Safety, Security and Environment policies to the Board for approval.

The Committee held four (4) scheduled meetings in the year; the membership and attendance of the meetings of the Committee are as shown in the table below:

S/N	Name	Designation	Date of meeting and attendance			
			22/03/2022	19/04/2022	18/07/2022	18/10/2022
1	Finn Arnoldsen	Chairman	P	P	P	P
2	Khairat Abdulrazaq Gwadabe	Member	P	P	P	P
3	Shehu Abubakar	Member	P	P	P	P
4	Yusuf Binji	Member	P	P	P	P
5	Jacques Piekarski	Member	P	P	P	P

Note: P = Present

(d) Statutory Audit Committee

In compliance with Section 404 of the Companies and Allied Matters Act 2020, the Company constituted the Statutory Audit Committee comprising of 3 (three) shareholders and 2 (two) Non-Executive Directors. The Chairman of the Committee is an independent shareholder. The duties of the Committee are as contained in Section 404(3) of CAMA 2020 and it is responsible for ensuring that the Company's financial statements comply with applicable financial reporting standards.

The Committee was constituted to ensure its independence, which is fundamental to upholding stakeholders' confidence in the reliability of the Committee's report and the Company's Financial Statements.

Below is the membership of the Committee:

The Committee held six (6) scheduled meetings in the year and attendance at the meetings was as follows:

S/N	Name of Director	Date of meeting and attendance					
		19/01/2022	23/04/2022	20/04/2022	19/07/2022	19/10/2022	7/12/2022
1	Ajibola A. Ajayi	P	P	P	P	P	P
2	Kabiru A. Tambari	P	P	P	P	P	P
3	Oderinde Taiwo	P	P	P	P	P	P
4	Kabiru Rabiu	P	P	P	P	P	P
5	Shehu Abubakar	P	P	P	P	P	P

Note: P = Present

(e) Board Audit Committee

The Board Audit Committee is responsible for overseeing the Company's financial reporting process. The Committee also reviews and approves the annual internal audit plan, vetting of the financial statements, and monitors Management's responsiveness to the findings and recommendations of the internal auditor, amongst other functions.

The Board Audit Committee comprises 4 (four) Non-Executive Directors; the Committee is chaired by an Independent Non-Executive Director. The Committee held 2 (two) scheduled meetings in the year; the membership and attendance of the Committee are as shown in the table below:

S/N	Name of Director	Date of meeting and attendance	
		22/03/2022	18/10/2022
1	Shehu Abubakar	P	P
2	Finn Arnoldsen	P	P
3	Khairat Abdulrazaq Gwadabe	P	P
4	Chimaobi Madukwe	P	P

Note: P = Present

Shareholders

The Company's General Meetings are conducted in a transparent and fair manner. The General Meeting of the Company is the highest decision-making body of BUA Cement. Shareholders have the opportunity to express their opinions on the Company's financial results, all agenda matters and matters relating to the Company in general. Representatives of Shareholders' Associations and regulatory bodies such as the Securities and Exchange Commission, the Nigerian Exchange Group and Corporate Affairs Commission attend the Annual General Meetings.

The Company has an Investors Relations Unit, which deals directly with enquiries from shareholders and ensures that Shareholders' views are escalated to Management and the Board. In addition, quarterly, half-yearly and annual financial results are published in widely read national newspapers.

The Board ensures the protection of the statutory and general rights of Shareholders at all times particularly their rights to vote at General Meetings. All Shareholders are treated equally, regardless of volume of shareholding or social status.

Information Flow and Access to Management

Comprehensive Board papers are circulated to the Directors before each meeting of the Board and Board Committees. The Board papers highlight and address the agenda items on which the Managing Director will report and areas requiring approvals and decisions of the Board.

The Board has a good line of communication with Management and can request the presence of any Senior Management staff to provide information when required at its meetings.

The Ag. Company Secretary is always available to advise individual Directors on corporate governance matters.

Access to Independent Advice

In compliance with global best practices, the Board enjoys access to independent professional advice to enable the Directors properly and effectively carry out their responsibilities.

Whistleblowing Policy

The Company is committed to fair and ethical business practices with transparency and integrity. Hence, BUA Cement Plc has a clear whistle blowing policy that ensures all employees including prospective applicants, contractors, agents, partners, bankers, other service providers, suppliers, shareholders, host community and the general public are given a channel through which they can report all matters they suspect involves illegal, unethical, harmful or improper conduct.

All matters reported are accepted and treated with confidentiality to the identity of the whistle blower.

Complaints Management Policy

BUA Cement Plc is committed to providing high standards of services for shareholders including a platform for efficient handling of shareholder complaints and enquiries enabling shareholders to have shareholder related matters acknowledged and addressed. Sufficient resources are provided to ensure that shareholder complaints and enquiries are dealt with adequately and in an efficient and timely manner, as well as facilitating efficient and easy access to shareholder information.

The Company has therefore formulated a complaint management policy designed to ensure that complaints and enquiries from the Company's shareholders are managed in a fair, impartial, efficient and timely manner. Further, this policy has been prepared in recognition of the importance of effective engagement in promoting shareholder/investor confidence in the Company.

This policy sets out the broad framework by which BUA Cement Plc and its Registrar will provide assistance regarding shareholder issues and concerns. It also provides the opportunity for BUA Cement Plc's shareholders to provide feedback to the Company on matters that affect shareholders. This policy only relates to the Company's shareholders and does not extend to its customers, suppliers or other stakeholders.

The policy is available on the Company's website www.buacement.com for access by all shareholders.

Insider Information Policy

The Company has a policy on insider information and prohibition of insider dealings as required by rules and regulations and this policy has been made publicly available to all stakeholders.

BUA Cement Plc's insider information policy is to generally ensure that Board members, employees and its external stakeholders who have knowledge of confidential and potentially price sensitive information are aware of the prohibition imposed by law against using, disclosing (other than in the normal course of the performance of their duties) or encouraging transactions in securities on the basis of such inside information. In addition to obligations imposed by law, BUA Cement Plc wants Board members, employees and external stakeholders to respect the safeguarding of confidential information and potentially price sensitive information.

Succession Policy

In order to maintain continuity and stability of the Company, the Board has approved a robust succession policy for identifying and developing successors for critical roles within the Board and Executive Management level of the organization. The policy outlines the succession plan for BUA Cement Plc, which includes:

a. determining the roles central to the achievement of the Company's objectives.

b. selecting top performers that will form the talent pool for the identified roles.

c. designing and implementing a training plan to prepare the selected persons for identified positions.

Board Evaluation Policy

In furtherance of the Company's commitment to excellence and continuous development, the Board has adopted a Board Evaluation Policy.

The policy provides a systematic and ongoing method for evaluating the performance of the Board, Board Committees and individual Directors. On an annual basis, an external consultant reviews the effectiveness of the Board and its members in an objective, independent and fair manner. Internal evaluations are also conducted as the Board's Governance, Establishment and Remuneration Committee ("BGERC") Chairman is responsible for annually evaluating the performance of the Managing Director/Chief Executive Officer while the Managing Director/Chief Executive Officer reviews the performance of other executive Directors.

Every three (3) years, the BGERC oversees the conduct of a corporate governance assessment for the Company by an external consultant.

Director's Training Policy

In order to ensure the structured and systematic training and continuous development of its Directors, the Board approved a Directors' training policy. The Policy contains the Company's plan for equipping Directors to perform their duties effectively and efficiently. The training plan for Directors is developed by the Ag. Company Secretary and approved by the Chairman of the Board on an annual basis. At the minimum, each Director is to attend one (1) core-training program every financial year.

Conflict of Interest Policy

To assist Directors and other senior officers of the Company in recognizing, dealing with and disclosing actual or perceived conflicts of interests, the Board has approved a Conflict of Interest Policy for the organization.

The Policy mandates new Directors to declare their interests in any entities in which he or she is a Director, officer, servant, creditor or holder of substantial shares or securities. In addition, any Director who has an interest in a related party transaction shall declare his or her conflict to other Directors prior to the meeting and recuse himself or herself from any reporting, discussions and voting on the transaction at the Board or Board Committee meeting.

Code of Ethics

The Company is upholding the highest standards of transparency, disclosure and ethics. Every year, Directors are required to fill and sign a Code of Conduct form committing to fulfil their duties of care and loyalty to the Company. The Company has an approved Code of Conduct designed to empower employees and enable effective decision making at all levels of the business according to defined ethical principles. New employees are required to read and sign an attestation signifying that they understand the contents of the Code.

Diversity

At BUA Cement, we believe in the increased innovation and performance that results from diversity. Thus, in making appointments to the Board or employment within the organization due cognizance is taken towards ensuring that there is diversity of gender, thought, experience and academic background across the Company.

Sustainability

At BUA Cement, we are conscious that a solid commitment to incorporating sound environmental and social standards into our business operations is key to safeguarding our long-term success. We are focused on fostering the economic and social development of the Nigerian and indeed wider African community in which the Company operates.

In furtherance of this commitment and focus, we carry out our operational activities in a manner that has minimal impact on the environment through strict adherence to emission standards; reduced fresh water use, water recycling and land reclamation. The Company also supports the government efforts at achieving Sustainable Development Goals (SDGs) through our social initiatives – educational scholarships, provision of potable drinking water through construction of boreholes and provision of other social amenities and infrastructure to communities where BUA Cement operates.

Compliance Statement

The Company's corporate governance strategies and initiatives are geared towards complying with the Nigerian Code of Corporate Governance, 2018, and the disclosure requirements under the Nigerian Stock Group's Listing Requirements and Rules.

By order of the Board of Directors

Hauwa Satomi (Mrs.)
Ag. Company Secretary
FRC No.: FRC/2022/NBA/002/00000023786
BUA Cement Plc
Lagos, Nigeria

Dated this: 23rd day of February 2023

Report of the audit committee

The Audit Committee is pleased to present this report for the financial year ended 31 December 2022 in compliance with Section 404 (7) of the Companies and Allied Matters Act 2020. The Committee has the oversight responsibility for the Company's financial statements.

The Audit Committee is an independent statutory committee appointed by the shareholders and the board. The committee performs its functions on behalf of BUA Cement Plc.

Audit Committee terms of reference

The Audit Committee has adopted a formal terms of reference as contained in its charter that has been approved by the board of Directors. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein. It reports its findings to the Board and the Shareholders at the Annual General Meeting.

The Committee comprises of three shareholders, one of whom chairs it, and three Non-Executive Directors nominated by the Board and meet quarterly or whenever the need arises.

The Audit Committee meets at least four times per annum, with authority to convene additional meetings, as circumstances require.

Executive Directors, external auditors, internal auditors, financial management and other assurance providers attend meetings by invitation only.

Below is the list of members and the number of meetings held during the year.

Names	**Date of meeting and attendance**					
	19/01/2022	**23/04/2022**	**20/04/2022**	**19/07/2022**	**19/10/2022**	**7/12/2022**
Ajibola A. Ajayi	P	P	P	P	P	P
Kabiru A. Tambari	P	P	P	P	P	P
Oderinde Taiwo	P	P	P	P	P	P
Kabiru Rabiu	P	P	P	P	P	P
Shehu Abubakar	P	P	P	P	P	P

Note: P - Present

Roles and responsibilities

The Audit Committee carried out its functions through the attendance of Audit Committee meetings and discussions with executive management, internal audit and external auditors.

Statutory duties

The Audit Committee's role and responsibilities include statutory duties as stipulated by the Companies and Allied Matters Act and further responsibilities assigned to it by the Board.

The Audit Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

External auditor appointment and independence

In terms of the provisions of the Companies and Allied Matters Act, the Audit Committee has satisfied itself that the external auditor, PricewaterhouseCoopers, is independent of the Company and has ensured that the appointment of the auditor complied with the Companies and Allied Matters Act and any other legislation relating to the appointment of auditors.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 31 December 2022.

Financial statements and accounting practices

The Audit Committee has reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with the International Financial Reporting Standards, the Companies and Allied Matters Act and the Securities and Exchange Commission listing requirements.

Internal financial controls

The Audit Committee has overseen a process by which internal audit performed an assessment of the effectiveness of the Company's system of internal control, including internal financial controls. The Audit Committee is satisfied with the effectiveness of the Company's internal financial controls.

Duties assigned by the Board

In addition to the statutory duties of the Audit Committee, as reported above, the Board of Directors has determined further functions for the audit committee to perform. These functions include the following:

(i) Going concern

The Audit Committee reviews the going concern status of the Company at each meeting and makes recommendations to the Board.

(ii) Governance of risk

The Audit Committee fulfills an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

(iii) Internal audit

The Audit Committee is responsible for ensuring that the Company's internal audit function is independent and has the necessary resources, standing and authority within the Company to enable it to discharge its duties.

The Audit Committee considered and recommended the internal audit charter for approval by the Board. The internal audit function's annual audit plan was approved by the Audit Committee.

(iv) Evaluation of the expertise and experience of the Chief Financial Officer and finance function

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The Audit Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Report of the audit committee

In compliance with the Provisions of Section 404(7) of the Companies and Allied Matters Act 2020, we report as follows:

- We have ascertained and hereby confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

- The scope and planning of audit requirements for the year ended 31 December 2022 are adequate;

- We are satisfied with the External Auditors' Management Report for the year ended 31 December 2022, as well as the response of the Management thereto.

Mr. Ajibola Ajayi FCA, CFA
Chairman Audit Committee
FRC/2015/ICAN/00000011387

Dated this: 22nd day of February 2023

AUDIT COMMITTEE MEMBERS:

Ajibola Ajayi FCA, CFA	-	Chairman - Independent shareholder
Oderinde Taiwo	-	Member - Independent shareholder
Kabiru A. Tambari	-	Member - Independent shareholder
Kabiru Rabiu	-	Member - Director
Shehu Abubakar	-	Member - Director

Statement of directors' responsibilities

The Companies and Allied Matters Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act 2020;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the requirements of the Financial Reporting Council of Nigeria Act and the Companies and Allied Matters Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Abdul Samad Rabiu CFR, CON
Chairman
FRC/2014/IODN/00000010111

23rd February 2023

Jacques Piekarski
Chief Finance Officer
FRC/2021/003/00000023724

23rd February 2023

Yusuf H. Binji
Managing Director
FRC/2013/NSE/00000001746

23rd February 2023

Statement of corporate responsibilities over financial reporting

Pursuant to Section 405 of the Companies and Allied Matters Act, 2020, we confirm that we have reviewed the Audited Financial Statements of BUA Cement Plc ("BUA Cement" or "Company") for the year ended December 31, 2022.

We acknowledge our responsibility for establishing and maintaining internal controls within BUA Cement and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Company, particularly during the period in which the Audited Financial Statements were prepared.

We have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date on our audited financial statements, and certify that the Company's internal controls are effective as of that date.

We also confirm that the Company's Auditors and Audit Committee have been informed about the following:

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the company's Auditors any material weaknesses in internal controls, and

(ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the company's internal control;

During the year, there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

We hereby certify that based on our knowledge, the Financial Statements do not contain any untrue statement of material fact or material omission that may make the Financial Statements misleading and the Financial Statements fairly presents in all material respects the financial condition and results of operations of the Company for the year ended December 31, 2022.

Yusuf H. Binji	Jacques Piekarski
Managing Director	Chief Finance Officer
FRC/2013/NSE/00000001746	FRC/2021/003/00000023724
23rd February 2023	23rd February 2023

Independent auditor's report

To the Members of BUA Cement Plc

Report on the audit of the financial statements

Our opinion

In our opinion, BUA Cement Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

BUA Cement Plc's financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for decommissioning liabilities *(Refer to notes 2.15, 4.2 and 23 to the financial statements)* As at 31 December 2022, the directors recognised provision for decommissioning liabilities amounting to N12.7 billion in relation to the restoration of active mining quarry sites to acceptable land use conditions. We focused on this area due to the materiality of the provision and because the directors exercised significant judgement in estimating the liabilities. Areas where significant judgements were exercised by the directors include: • methodology used by management's experts in determining the present value of the estimated future restoration costs using current prices adjusted for inflation and discounted using a risk-free rate; and • determining the useful life of mining quarry sites, mineable reserves and actual resources mined used in the decommissioning liabilities model.	We adopted a substantive approach in assessing the provision for decommissioning liabilities. Specifically, we performed the following procedures: • Assessed the professional competence and objectivity of the in-house and external experts. • Gained an understanding of methodology applied by the directors and the experts in estimating the future restoration costs, useful lives of mining quarry sites and mineable reserves used in the decommissioning liabilities computation. • Tested the reasonableness of key data input used in the decommissioning liabilities computation, such as mineable reserves, actual resources mined, useful lives of mining quarry sites and estimated future restoration costs. Specifically; - we traced the actual resources mined to the company's underlying records; - checked useful life of the mineable reserves against the mining license; - with the help of our accounting consulting experts, we checked the estimated future restoration costs by testing the appropriateness of the risk-free discount rate and the inflation rate and benchmarked them against reliable external sources; - we agreed the mineable reserves to the external experts' report. • Tested the decommissioning liabilities calculations prepared by the directors, including the present value of future costs and the interest expense on the liabilities, by reviewing the formulae and methodology applied for reasonableness. • Evaluated appropriateness of the related disclosures in accordance with the applicable financial reporting framework.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report, Report of the Audit Committee, Statement of Directors' Responsibilities, Statement of Corporate Responsibilities Over Financial Reporting, Statement of Value Added, Five-Year Financial Summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the BUA Cement Plc 2022 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the BUA Cement Plc 2022 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0074711

Oladele Oladipo

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

24 February 2023

Engagement Partner: Oladele Oladipo
FRC/2013/ICAN/00000002951

Statement of profit or loss and other comprehensive income

	Notes	31 December 2022 N'000	31 December 2021 N'000
Revenue from contracts with customers	5	360,989,105	257,327,091
Cost of sales	6	(197,944,436)	(136,390,231)
Gross profit		**163,044,669**	**120,936,860**
Administrative expenses	7	(17,299,763)	(11,158,080)
Distribution and selling expenses	8	(18,811,220)	(8,187,214)
Impairment write-back on financial assets	10	276	5,394
Other income	11	2,785,855	2,627,682
Operating profit		**129,719,817**	**104,224,642**
Finance income	12(a)	1,941,453	620,604
Finance cost	12(b)	(10,553,365)	(1,705,833)
Net finance cost		(8,611,912)	(1,085,229)
Minimum tax charge	13(a)	(953,855)	(266,088)
Profit before tax		**120,154,050**	**102,873,325**
Income and deferred tax expense	13(a)	(19,143,424)	(12,794,314)
Profit after tax		**101,010,626**	**90,079,011**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligations (net of tax)	14(b)	32,489	156,779
Other comprehensive income for the year net of tax		32,489	156,779
Total comprehensive income for the year		**101,043,115**	**90,235,790**
Earnings per share			
Basic and diluted (Naira)	28	2.98	2.66

The results shown above relate to continuing operations.
The notes on pages 31 to 78 are an integral part of these financial statements.

Statement of financial position

	Notes	31 December 2022 N'000	31 December 2021 N'000
Assets			
Non-current assets			
Property, plant and equipment	15	669,013,354	578,887,892
Right-of-use assets	16(a)	89,141	76,848
Intangible assets	17	7,138,904	5,343,263
		676,241,399	**584,308,003**
Current assets			
Inventories	18	52,468,290	39,068,039
Cash and cash equivalents	19	48,046,647	62,338,398
Trade receivables	20	17,570	118,986
Prepayments and other assets	21	80,690,386	37,897,852
Due from related parties	30(b)	16,547,592	4,776,195
		197,770,485	**144,199,470**
Total assets		**874,011,884**	**728,507,473**
Liabilities			
Non-current liabilities			
Lease liabilities	16(a)	-	39,595
Bank borrowings	24	44,740,089	43,685,460
Debt security issued	25	113,932,939	113,551,259
Employee benefit obligations	14	3,954,979	3,760,298
Deferred tax liabilities	13(c)	29,696,822	12,606,257
Government grant	26(a)	2,810,501	3,721,262
Provision for decommissioning liabilities	23	10,202,856	7,671,475
		205,338,186	**185,035,606**
Current liabilities			
Lease liabilities	16(a)	55,788	-
Contract liabilities	5(b)	92,166,502	78,586,238
Trade and other payables	22	78,112,432	22,278,412
Due to related parties	30(b)	-	1,477,927
Current income tax liabilities	13(b)	3,124,196	1,697,203
Bank borrowings	24	80,695,381	39,810,241
Government grant	26(a)	910,761	910,761
Provision for decommissioning liabilities	23	2,496,096	594,337
		257,561,156	**145,355,119**
Total liabilities		**462,899,342**	**330,390,725**
Equity attributable to shareholders			
Ordinary share capital	27	16,932,177	16,932,177
Retained earnings		194,884,054	181,920,749
Reorganisation reserve		200,004,179	200,004,179
Defined benefit plan reserve		(707,868)	(740,357)
Total equity		**411,112,542**	**398,116,748**
Total equity and liabilities		**874,011,884**	**728,507,473**

The notes on pages 31 to 78 are an integral part of these financial statements.

The financial statements on pages 27 to 81 were approved and authorised for issue by the Board of Directors on 23rd February 2023 and were signed on its behalf by:

Abdul Samad Rabiu CFR, CON
Chairman
FRC/2014/IODN/00000010111

Yusuf H. Binji
Managing Director/CEO
FRC/2013/NSE/00000001746

Jacques Piekarski
Chief Finance Officer
FRC/2021/003/00000023724

Chikezie Ajaero
Finance Director
FRC/2014/ICAN/00000010408

	Share capital	Defined benefit plan reserve	Retained earnings	Reorganisation reserve	Total
	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2021	16,932,177	(897,136)	159,915,508	200,004,179	375,954,728
Comprehensive income					
Profit for the year	-	-	90,079,011	-	90,079,011
Other comprehensive income for the year	-	156,779	-	-	156,779
Total comprehensive income	-	156,779	90,079,011	-	90,235,789
Share based payment (Note 11c)	-	-	1,926,230	-	1,926,230
Dividend declared and paid to BUA Cement Plc's shareholders	-	-	(70,000,000)	-	(70,000,000)
	-	-	(68,073,770)	-	(68,073,770)
Balance at 31 December 2021	**16,932,177**	**(740,357)**	**181,920,749**	**200,004,179**	**398,116,748**
Balance at 1 January 2022	16,932,177	(740,357)	181,920,749	200,004,179	398,116,748
Comprehensive income					
Profit for the year	-	-	101,010,626	-	101,010,626
Other comprehensive income for the year	-	32,489	-	-	32,489
Total comprehensive income	-	32,489	101,010,626	-	101,043,115
Transactions with owners:					
Dividend declared and paid to BUA Cement Plc's shareholders	-	-	(88,047,321)	-	(88,047,321)
	-	-	(88,047,321)	-	(88,047,321)
Balance at 31 December 2022	**16,932,177**	**(707,868)**	**194,884,054**	**200,004,179**	**411,112,542**

The notes on pages 31 to 78 are an integral part of these financial statements.

Statement of cash flows

	Notes	31 December 2022 N'000	31 December 2021 N'000
Cash flows from operating activities			
Profit before income tax		120,154,050	102,873,325
Adjustment for non-cash items:			
Net impairment loss/(gain) on financial assets	10	(276)	(5,394)
Unrealised foreign exchange loss	7	5,462,791	890,656
Decommissioning liabilities adjustment	6	1,052,726	-
Amortization of government grant	11	(910,761)	(900,695)
Modification gain	11	(1,432,561)	(1,434,056)
Write-off of property, plant and equipment	15	139,657	-
Depreciation of property, plant and equipment	15	22,135,220	15,344,075
Transfer of property plant and equipment	15	316,731	-
Amortisation of intangible assets	17	351,178	44,898
Finance income	12(a)	(1,941,453)	(620,604)
Finance cost	12(b)	10,553,365	1,705,833
Minimum tax	13(a)	953,855	266,088
Defined benefit plan amendment	14(b)	(85,046)	-
Current service cost - Defined benefit plan	14(b)	348,380	359,983
Actuarial gain on defined benefit obligation	11	(46,414)	-
Remeasurement of defined benefit obligation		32,489	-
Share based payment	14(c)	-	1,926,230
Depreciation of right-of-use asset	16(b)	73,441	82,486
Operating cash flows before movements in working capital		**157,157,371**	**120,532,823**
Movement in working capital:			
Increase in contract liabilities	5(b)	13,580,264	36,447,908
Increase in inventories	18	(13,400,251)	(7,562,841)
Decrease in trade and other receivables	20	101,692	45,296,542
(Increase)/decrease in prepayments and other assets	21	(42,792,534)	44,948,499
Increase/(decrease) in trade and other payables	22(b)	50,118,117	(1,610,058)
Increase in amounts due from related parties	30(d)	(11,771,397)	(4,776,195)
Decrease in amounts due to related parties	30(e)	(1,663,268)	(33,349,968)
Cash generated from operations		**151,329,994**	**199,926,710**
Tax paid	13(b)	(1,579,721)	(863,321)
Defined benefit paid during the year	14(b)	(176,679)	(106,132)
Net cash flow from operating activities		**149,573,594**	**198,957,257**
Investing activities			
Purchase of property, plant and equipment	15(c)	(102,284,661)	(57,613,851)
Interest received	12(a)	1,941,453	620,604
Unclaimed dividends received	22	214,794	19,702
Purchase of intangible assets	17	(2,146,820)	(1,103,176)
Net cash flows used in investing activities		**(102,275,234)**	**(58,076,721)**
Financing activities			
Dividend paid to equity holders		(88,047,321)	(70,000,000)
Interest payment on overdraft	12(b)	(457,933)	-
Principal repayment on lease liability	16(a)	(74,260)	(96,230)
Proceeds from borrowings	24	178,449,460	30,044,560
Principal repayment of borrowings	24	(136,982,278)	(102,939,124)
Interest repayment on borrowings	24	(4,838,374)	(5,863,737)
Interest repayment on debt securities	25	(8,625,000)	(8,598,052)
Net cash flows generated from financing activities		**(61,628,432)**	**(214,503,647)**
Net (decrease)/increase in cash and cash equivalents		(14,330,073)	(61,520,541)
Cash and cash equivalents at 1 January		62,338,398	123,821,089
Effects of exchange rate differences		38,321	37,850
Cash and cash equivalents at 31 December	(b)	**48,046,647**	**62,338,398**

The notes on pages 31 to 78 are an integral part of these financial statements.

1 General information

BUA Cement Plc ("the Company") is a company domiciled in Nigeria. The Company was incorporated in Nigeria as a limited liability company on 30 May 2014 and commenced business in August 2015. The Company was converted from a private limited liability company to a public limited liability company on 16 May 2019, as a prelude to a scheme of merger. The Company later merged with the defunct Cement Company of Northern Nigeria Plc in a scheme of merger on 23 December 2019 and was listed on the Nigerian Stock Exchange on 9 January 2020. BUA Cement Plc is ultimately owned by Alhaji Abdulsamad Rabiu CFR, CON.

The address of its registered office is 32, Churchgate Street, Victoria Island, Lagos. The principal activities of the Company are manufacturing and sales of cement to the general public. These activities are conducted primarily in Nigeria.

The majority shareholder of the Company, Abdulsamad Rabiu CFR, CON is the Chairman of the Board of Directors and the ultimate owner of the Company.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in compliance with the Companies and Allied Matters Act 2020 (CAMA) and the Financial Reporting Council of Nigeria (FRC) Act 2011.

The financial statements have been prepared under the historical cost convention, except for decommissioning liabilities, employee benefit obligation, inventories, leases and financial instrument measured using effective interest rate (EIR). The provision for decommissioning cost has been estimated based on the scope and method of abandonment using current requirements, price level adjusted for inflation and discounted using a risk-free discount rate for the eight active quarry sites as at 31 December 2022. Actual costs may however differ from the estimates based on the prevailing assumptions at the relevant periods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgment in applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are presented in Nigerian Naira and all values are rounded to the nearest thousand (₦'000) except when otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared in accordance with the going concern principle and the Directors have no doubt that the Company will remain in existence twelve (12) months after the statement of financial position date.

The Company reported a profit after tax of N101.01 billion for the year ended 31 December 2022 (2021: N90.07 billion). At the statement of financial position date, the Company had a net asset of approximately N411.11 billion (2021: N398.12 billion) and net current liabilities of approximately N38.96 billion (2021: N1.16 billion).

2.1.2 Changes in accounting policies and disclosures

2.1.2.1 New standards and interpretations adopted by the Company

The Company has applied the standards and amendments that are applicable to the Company for the first time in the annual reporting period commencing 1 January 2022.

2.1.2 Changes in accounting policies and disclosures (continued)

(a) **Amendment of IFRS 3 - Business combinations [Effective January 1 2022]**

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

(b) **Amendment to IAS 16 - Property, plant and equipment [Effective January 1 2022]**

The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.

These amendments had no impact on the financial statements of the Company as there was no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

(c) **Amendment to IAS 37 - Provisions, contingent liabilities and contingent assets [Effective January 1 2022]**

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendment had no impact on the financial statements of the Company as there were no such contracts on or after the earliest period presented.

(d) **Annual Improvements to IFRS Standards 2018-2020 Cycle [Effective from 1 January 2022]**

i) **IFRS 9 Financial Instruments –** clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. This improvement does not apply to the Company.

These amendments did not have material impact on the finacial statements of Company.

2.1.2.2 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company. These new standards and interpretations are set out below:

2.1.2 Changes in accounting policies and disclosures (continued)

(a) **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 [Effective 1 January 2023]**

The International Accounting Standards Board (Board) has issued narrow-scope amendments to IFRS Standards. The amendments will help companies improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies, and distinguish changes in accounting estimates from changes in accounting policies.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments are not expected to have a material impact on the financial statements of the Company.

(b) **IFRS 17: Insurance Contracts [Effective 1 January 2023]**

This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

This Standard would have no impact on the financial statements of the Company as it is not applicable to the Company.

(c) **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction [Effective 1 January 2023**

These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

This amendment is not expected to have a material impact on the financial statements of the Company.

(d) **Amendment to IFRS 16 – Leases on sale and leaseback [Effective 1 January 2024]**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

This amendment is not expected to have a material impact on the financial statements of the Company.

(e) **Amendment to IAS 1 – Non current liabilities with covenants [Effective 1 January 2024]**

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

This amendment is not expected to have a material impact on the financial statements of the Company.

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Naira which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into Naira using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss within administrative expenses.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses, except for land which is carried at historical cost less any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Capital work in progress are not depreciated. Depreciation of assets commences when assets are available for use. Depreciation on other assets is calculated using the straight line method of calculation i.e. the cost of the assets less its residual value, if applicable, over the number of useful lives (in years), as follows:

An item of property, plant and equipment is derecognised upon disposal or when no economic benefit is expected from its use. Any gains or losses arising on derecognition is included in the statement of profit or loss when the asset is derecognised.

	Useful life (years)
Land	Not depreciable
Buildings	30 - 50
Plant and machinery	3 - 40
Furniture and fittings	5
Motor vehicles	4
Quarry equipment	6 - 25
Tools and laboratory equipment	5
Computers and office equipment	3 - 5
Trucks	4
Construction work-in-progress	Nil

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

Quarry exploration and production assets

Accounting for quarry exploration and production assets

Quarry exploration expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a quarry-by-quarry basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with a quarry, and exploration costs, are capitalised until the determination of minable reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expenses.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities on commercially proven quarries and the drilling of commercially proven quarries, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific quarry, it is transferred to quarry equipment or intangible assets.

Depreciation/amortisation

Quarry tangible and intangible assets are depreciated or amortised using the straight line method.

2.4 Intangible assets

Costs associated with maintaining software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Licenses

Licenses are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Software

Costs associated with acquiring software programmes are capitalised at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Exploration assets

Exploration assets are carried at cost less accumulated amortisation and any impairment losses. All costs, including overhead costs directly associated with the specific project are capitalised. The Directors evaluate each project at each period end to determine if the carrying value should be written off. In determining whether expenditure meets the criteria to be capitalised, the Directors use information from several sources, depending on the level of exploration. Purchased exploration and evaluation assets are recognised at the cost of acquisition or at the fair value if purchased as part of a business combination.

Amortisation methods and useful lives

The accumulated capitalised costs from exploration assets are amortised over their useful life using a straight-line method.

The Company also amortises other intangible assets with a limited useful life using the straight-line method over the asset's estimated useful lives.

	Useful life (years)
Licenses	2 - 5
Exploration assets	7 - 40
Software	3

2.4 Intangible assets (continued)

Derecognition

Intangible assets are derecognised when they are no longer in use or when the Company expects no future economic benefits from their disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and is recognised in the profit or loss.

2.5 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial instruments

2.6.1 *Classification and measurement*

i. *Financial assets*

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

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

Financial assets held by the Company are classified based on the following:

• **Hold to collect:** Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represent solely payments of principal and interest. Assets held under this business model are measured at amortised cost.

• **Hold to collect and sell:** Financial assets in this category are held to collect contractual cash flows and sell. The cash flows represent solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.

• **Hold to sell/residual:** This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value.

The financial assets of the Company are held to collect contractual cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets).

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

ii. *Financial liabilities*

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, payable to related parties, lease liabilities, debt securities and borrowings.

2.6 Financial instruments (continued)

2.6.2 *Impairment of financial assets*

Recognition of impairment provisions under IFRS 9 is based on the Expected Credit Loss (ECL) model. The ECL model is applicable to financial assets measured at amortised cost or at fair value through other comprehensive income (FVOCI). The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to trade receivables while the general approach is applied to cash and cash equivalents and amounts due from related parties.

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

The three-stage (general) approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political risk concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stages 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the cash recovery ratio of the counterparties. The EAD is the total amount outstanding at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) growth rate and inflation rate in Nigeria, to arrive at an ECL which is then discounted to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

2.6.3 *Significant increase in credit risk and default definition*

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of stage 2 financial assets where the three-stage approach is applied.

The criteria for determining whether credit risk has increased significantly depends on quantitative and qualitative factors. In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default.

2.6.4 *Derecognition*

i. *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised in profit or loss.

2.6 Financial instruments (continued)

ii. *Financial liabilities*

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

If the modification of the existing liability does not meet the requirements for de-recognition of the existing liability, the difference in the carrying amount and the modified liability amount is recognised immediately as a modification gain or loss in profit or loss.

2.6.5 *Offsetting of financial assets and financial liabilities*

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

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Cost comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), incurred in bringing inventory to its present location and condition but excludes borrowing costs.

The cost of engineering spares and fuel is determined using the weighted average method. Work-in-progress are valued at purchase cost incurred to date.

The cost of packing materials is determined using the weighted average method and comprises purchase cost and other direct costs, incurred in bringing packing materials to its present location and condition but excludes borrowing costs.

Allowance is made for excessive, obsolete and slow moving items. Write-downs to net realizable value and inventory losses are expensed in the period in which the write-downs or losses occur.

2.8 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current.

2.9 Prepayments and other advance payments

Prepayments are amounts paid for goods or services which are yet to be received/enjoyed. Other receivables are unsecured and no interest is charged on these balances.

2.10 Statement of cash flows

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

The cash flows from operating activities are determined by using the indirect method. Profit before tax is therefore adjusted by non-cash items. All income and expenses from non-cash transactions that are attributable to investing or financing activities are eliminated. Interest repayments on external borrowings are presented in financing activities.

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

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

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash.

2.12 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.

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

2.13 Borrowing costs

General and specific 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. Capitalization is suspended during periods which involve interruption in active development. Also, capitalization stops when all the substantial activities, essential for preparing the asset for its intended use or sale, have been accomplished.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Borrowings

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

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

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

2.14 Borrowings (Continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2.15 Provision for decommissioning liabilities

Provision for decommissioning liabilities associated with the Company's mining operations are based on land restoration processes and analysis of site conditions such as projected pit area, borrow material area, waste dump area and top soil dump area.

Under the Nigerian Minerals and Mining Act 2007 and the Health, Safety, and Reclamation Code, the primary objective of the reclamation plan will be to return, where practical, all areas disturbed by mining operations to an acceptable land use and capability. The reclamation method is forestry reclamation approach after mining activities. The disturbed mining areas are to be back filled, compacted, re-graded and re-vegetated to support forest land uses.

Decommissioning provisions are measured at the present value of the expected future cash flows that will be required to perform the site reclamation. The effect of the time to expected closure will be reflected in the discounting of the provision. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost in profit or loss.

Decommissioning provisions are updated at each statement of financial position date for changes in the estimates of the amount or timing of future cash flows and changes in the discount rate. Changes to provisions that relate to site reclamation cost are added to or deducted from the carrying amount of the related asset in the current period. When a decrease in decommissioning liability exceeds the carrying amount of a decommissioning asset, the excess is recognised in profit or loss.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of Value Added Tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

The five step recognition process for revenue is listed below:

- Identify the contract with a customer
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the prices to the performance obligations.
- Recognise revenue.

2.16 Revenue recognition (continued)

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

Sale of goods

Revenue is recognised when the control of the goods is transferred to the customer. This occurs when the goods are delivered to the customer or when goods are picked up by the customers. This represents the single performance obligation in all revenue contracts with customers.

Revenue from sale of cement is recognised based on the price specified in the contract, net of the estimated rebates and returns. Rebates are estimated at the inception of the contract except where the time lag between the recognition of revenue and granting rebates is within the same month. Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur.

Advance payment made by customers for goods are deferred and recognised as contract liabilities in the statement of financial position.

The delivery service provided by the Company is a sales fulfilment activity and the income earned is recognised at the point in time when the goods are delivered to the customer.

Delivery of cement is done by the Company at the Sokoto Plant and by a related party haulage company, acting as the Company's agent, at the Okpella Plant.

Under both delivery arrangements, the Company quotes the price that reflects the amount of consideration to which it expects to be entitled in exchange for the transfer of the cement to a customer. Based on the Company's agreement with the haulauge company, the haulage company will be reimbursed at a flat rate to depict the services rendered to the Company.

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

Disaggregation of revenue from contract with customers

The Company recognises revenue from the transfer of goods at a point in time from the sale of bagged cement and bulk cement. The Company has determined that the disaggregation of revenue based on the criteria of stream of revenue meets the disaggregation of revenue disclosure requirement of IFRS 15. It depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See further details in Note 5.

2.17 Other income

This comprises profit from sale of property, plant and equipment, profit from sale of scraps and insurance claim etc. Income arising from disposal of items of property, plant and equipment and scraps is recognised at the time when transactions are finalised and ownership transferred by the Company. The profit on disposal is calculated as the difference between the net proceeds and the carrying amount of the assets.

2.18 Expenses

Expenses are recognised as they accrue during the course of the year. Analysis of expenses recognised in the statement of profit or loss is presented in classification based on the function of the expenses.

The Company classifies its expenses as follows:
- Cost of sales;
- Selling and Distribution expenses;
- Administrative expenses;

a) Cost of goods sold

These are the direct costs attributable to the production of the cement sold by the Company. These costs includes directly attributable costs such as the cost of direct materials, direct labour, energy costs, as well as production overheads, including depreciation of production facilities. The cost of goods sold includes write-downs of inventories where necessary.

b) Distribution and selling expenses

These comprise of the cost of marketing, the sales organization, and distribution logistics.

c) Administrative expenses

These comprise of the cost of running the administrative function of the Company.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BUA Cement leadership team which comprises of the members of the Board of Directors and other executive officers.

Segment information is required to be presented in respect of the Company's business and geographical segment, where applicable. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined by management based on the Company's internal reporting structure. 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.

Management assessed that the Company has only one operating segment arising from the sale of cement. The Company's internal reporting structure is based on this operating segment.

2.20 Current and deferred income tax

The tax for the period comprises current, education and deferred taxes. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 tax profit nor the accounting profit.

2.20 Current and deferred income tax (Continued)

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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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

2.21 Employee benefits

Pension scheme - Defined contribution scheme

In line with the Pension Reform Act 2014, the Company operates a defined contribution scheme; employees are entitled to join the scheme immediately they are employed. Contributions are made on a percentage of the employee's basic, transport and rent allowances by the employee and the Company. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Pension scheme - Defined benefit scheme

The estimates of the terminal benefit obligations are calculated periodically, with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life expectancy and probable turnover of beneficiaries. The obligations are discounted based upon appropriate discount rates.

The current period expense comprises the increase in the obligation, which results from the additional benefits earned by the employees in the period, and the interest expense, which results from the outstanding pension obligation. The current period expenses related to the defined benefit plan are recorded in cost of sales, selling and distribution and administrative expenses based on the beneficiaries and the plan. Actuarial gains or losses are charged or credited to other comprehensive income in the period which they arise and it is accumulated in a separate reserve in equity.

Short-term benefits

Short term employee benefit obligations which include wages, salaries, bonuses and other allowances for current employees are measured on an undiscounted basis and recognised and expensed in the Company's statement of profit or loss as the employees render such services.

A liability is recognised for the amount expected to be paid under short-term benefits if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognised as staff costs, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2.22 Finance income

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

2.23 Finance cost

Finance cost comprises interest expenses on borrowings, debt security issued, lease liability, defined benefit obligation, overdraft and unwinding of discount of decommissioning liability. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest

2.24 Earnings per share

Basic earnings per share is computed by dividing the profit or loss attributable to owners of the Company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company, by the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

2.25 Share capital, reserves and dividends

(i) Share capital

The Company has only one class of shares i.e. ordinary shares. Ordinary shares are classified as equity.

(ii) Reserves

Reserves include all current and prior period retained earnings, reorganisation reserve and reserve on actuarial valuation of defined benefit plan.

Reorganisation reserve consists of the Company's merger transactions with entities under common control.

(iii) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company’s shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the company. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position.

2.26 Comparatives

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

2.27 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

– the contract involves the use of an identified asset; This may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified;
– the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
– the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

2.27 Leases (continued)

The Company primarily leases buildings (used as office space and warehouse). The lease terms are typically for fixed periods ranging from 1 year to 2 years but may have extension options as described below. On renewal of a lease, the terms may be renegotiated.

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease agreements do not impose any covenants. However, leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Company. The right-of-use asset is depreciated using the straight line method over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use asset is carried at historical cost less accumulated depreciation and impairment losses.

(i) **Lease liabilities**

At the commencement date of a lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(ii) **Right of use assets**

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset and lease liability are presented separately from other non-lease assets and liabilities in the statement of financial position.

(iii) **Short term leases and leases of low value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of lowvalue assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.28 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the cost that they are intended to compensate.

2.29 Business combination under common control

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory), are referred to as common control transactions. The accounting policy for the acquiring entity is to account for the transaction at book values in its financial statements, as a result, no goodwill is recognised. Any difference between the acquirer's cost of investment and the acquiree's equity is presented separately in the re-organisation reserve in equity.

The Company has adopted the predecessor method of accounting for entities under common control. The book values of the acquired entity are the book values as reflected in the annual financial statements of the selling entity. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities. Any expenses of the combination are written off immediately in the profit or loss.

Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented and adjustments are made to achieve uniform accounting policies - adopting the surviving/acquiring entity.

3 Financial risk management

3.1 Financial risk factors

The Company’s business activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate, and price), credit risk and liquidity risk. The objective of the Company's risk management programme is to minimise potential adverse impacts on the Company’s financial performance.

Risk management is carried out in line with policies approved by the Board of Directors. The Board of Directors ("the Board"), provides principles for overall risk management, as well as set the overall risk appetite for the Company. Specific risk management approaches are defined for respective risks such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. The Company’s overall risk management program seeks to minimise potential adverse effects on the Company’s financial performance.

Risk management is the responsibility of the Treasury Manager, who aims to effectively manage the financial risk of the Company according to the policies approved by the Board of Directors. The Treasury Manager identifies and monitors financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange, interest rates and credit risks, use of financial instruments and investment of excess liquidity.

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding prepayments), trade and other payables (excluding government grant), due from/to related parties, borrowings and debt securities issued.

3.1.1 Market risk

(i) _Foreign exchange risk_

The Company is exposed to foreign exchange risk from some of its commercial transaction. Management minimises the effect of the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due. The Company is predominately exposed to the US Dollar and Euro.

3.1.1 Market risk (continued)

The table below shows the closing balance of US Dollar and Euro denominated financial instruments and the impact on the Company's loss and equity if the exchange rate between the US Dollar, Euro and the Nigerian Naira had increased or decreased by 15-20% (2021: 10%) with all other variables held constant.

Foreign currency denominated balances	31 December 2022 N'000	31 December 2021 N'000
Trade payables	(34,424,266)	(18,686)
Cash and cash equivalents	765,395	146,926
	(33,658,871)	128,240
Effect of 15% increase in exchange rate (2021: 10%)	(38,707,702)	141,064
Effect of 15% decrease in exchange rate (2021:10%)	(28,610,040)	115,416
Effect of 20% increase in exchange rate	(40,390,645)	-
Effect of 20% decrease in exchange rate	(26,927,097)	-

(ii) *Price risk*

The Company is not exposed to price risk.

(iii) *Interest rate risk*

The Company's operations are partly financed by borrowings obtained from Nigerian banks. Interest payable on such borrowings are charged by the banks to the Company.

The Company's interest rate risk arises from borrowings from the banks. Interest on bank borrowings are at fixed and floating interest rates.

The Company's policy on managing interest rate risk is to negotiate favourable terms with the banks to reduce the impact of exposure to this risk and to obtain competitive rates for borrowings obtained and for deposits held with the banks.

The tables below shows the details of the borrowing exposed to floating interest rates and the impact on the Company's profit or loss if interest rates on variable interest rate borrowings increased or decreased by 5%, with all other variables held constant. Mainly as a result of higher or lower interest expense.

	Average Interest Rate	31 December 2022 N'000	31 December 2021 N'000
First Bank - Long term loan	17.0%	9,820,011	16,307,649
Union Bank (RSSF Loan)	2020 - 5% 2022 - 9%	18,132,260	17,817,754
Fidelity Bank (RSSF Loan)	2020 - 5% 2022 - 9%	17,130,063	17,542,936
		45,082,334	51,668,339

	31 December 2022 N'000	31 December 2021 N'000
Effect of 5% increase in interest rates (2021: 5%)	(2,254,117)	(296,315)
Effect of 5% decrease in interest rates (2021: 5%)	2,254,117	296,315

3.1.2 Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables from related parties.

The Company uses policies to ensure that sale of products are to customers with appropriate credit history. The granting of credit is controlled by credit limits and the application of certain terms of sale. The Company carries out its business mostly on a cash and carry basis. Individual customers make cash deposits before delivery of goods and corporate customers make payment within 3 months after goods are delivered.

No credit limits were exceeded during the reporting period and none of the counterparties renegotiated their terms in the reporting year. Management's expected credit loss as a result of non-performance by these counterparties is disclosed in the 'impairment of financial assets' section below.

The maximum exposure to credit risk for cash and cash equivalents, trade receivables and due from related parties approximates the amount recognised on the statement of financial position. The Company does not hold any collateral as security.

To measure the expected credit losses, financial assets have been grouped based on shared credit risk characteristics and the days past due.

Impairment of financial assets

The Company's financial assets that are subject to IFRS 9's new expected credit loss model are as follows:

- Trade receivables and;
- Cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

i. *Trade receivables*

The Company applies the simplified approach in measuring the expected credit losses (ECL) which calculates a lifetime expected loss allowance (ECL) for all trade receivables. Trade receivables represent the amount receivable from customers for the sale of goods in the ordinary course of business. The expected credit loss for trade receivables is determined using a provision matrix approach. The macroeconomic variables considered were inflation and brent oil prices.

The expected loss rates as at 31 December 2022 are as follows:

Age of trade receivables	**0 - 30 days**	**31 - 90 days**	**91 - 180 days**	**181 - 365 days**	**Over 365 days**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount*	17,595	-	-	-	3,238	20,833
Default rate	0.14%	0.43%	0.81%	1.24%	100%	
Lifetime ECL	25	-	-	-	3,238	3,263
Net trade receivables	17,570	-	-	-	-	17,570

3.1.2 Credit risk (continued)

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

Age of trade receivables	0 - 30 days N'000	31 - 90 days N'000	91 - 180 days N'000	181 - 365 days N'000	Over 365 days N'000	Total N'000
Gross carrying amount*	52,398	66,888	-	-	3,238	122,524
Default rate	0.11%	0.36%	0.71%	1.05%	100%	
Lifetime ECL	61	240	-	-	3,238	3,539
Net trade receivables	52,337	66,648	-	-	-	118,986

*The reconciliation of the gross carrying amount for trade receivables is as follows:

	2022 N'000	2021 N'000
Gross carrying amount as at 1 January	122,524	470,568
Additions during the year	400,635	377,784
Rebates offered to customers in the year	(6,579)	(31,262)
Receivables written off in the year	-	(252,268)
*Other adjustments to trade receivables		
Receipts for the year	(495,747)	(442,297)
Gross carrying amount as at 31 December	20,833	122,524

*Other adjustments relates to reclassification of receivables arising from cement supplies made to contractors yet

3.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining sufficient cash reserves at all times so that the Company is able to meet its obligations as they fall due. The Company manages liquidity risk by effective working capital and cash flow management.

The Company invests its surplus cash in fixed deposit. At the reporting date the Company had N12.6 billion (2021: N12.4 billion) in fixed deposit.

Maturity Analysis

The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months N'000	6 - 12 months N'000	Over 12 months N'000	Total N'000
At 31 December 2022				
Financial liabilities:				
Trade and other payables (Note 22)	29,859,556	27,427,421	1,081,179	58,368,156
Due to related parties (Note 30b)	-	-	-	-
Bank borrowings (Note 24)	86,445,381	9,376,707	48,505,122	144,327,210
Debt security issued (Note 25)	-	-	143,031,250	143,031,250
Lease liabilities (Note 16)	-	55,788	-	55,788
	116,304,937	36,859,916	192,617,551	345,782,404

3.1.3 Liquidity risk (continued)

	Less than 6 months N'000	6 - 12 months N'000	Over 12 months N'000	Total N'000
At 31 December 2021				
Financial liabilities:				
Trade and other payables (Note 22)	4,889,877	-	-	4,889,877
Due to related parties (Note 30b)	1,477,928	-	-	1,477,928
Bank borrowings (Note 24)	35,310,241	4,500,000	43,685,460	83,495,701
Debt security issued (Note 25)	-	-	151,656,250	151,656,250
Lease liabilities (Note 16)	-	-	41,945	41,945
	41,678,046	4,500,000	195,383,655	241,561,701

Value added tax, withholding tax and other statutory related items are excluded as they are non-financial instruments.

3.2 Fair value estimation

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, amounts due to/from related parties and short term bank borrowings approximate their fair value.

	At 31 December 2022		At 31 December 2021	
	Amortised cost N'000	Fair value N'000	Amortised cost N'000	Fair value N'000
Financial assets				
Trade receivables	17,570	17,570	118,985	118,985
Cash and cash equivalents	48,046,647	48,046,647	62,338,398	62,338,398
Financial liabilities				
Trade and other payables	(58,368,156)	(58,368,156)	(4,889,877)	(4,889,877)
Due to related parties	-	-	(1,477,928)	(1,477,928)
Short-term bank borrowings	(65,568,674)	(65,568,674)	(39,810,241)	(39,810,241)
Long-term bank borrowings	(59,866,796)	(59,866,796)	(43,685,460)	(43,685,460)
Current lease liabilities	(55,788)	(55,788)	-	-
Non-current lease liabilities	-	-	(39,595)	(39,595)
Debt security issued	(113,932,939)	(113,932,939)	(113,551,259)	(113,551,259)
	(249,728,138)	(249,728,138)	(140,996,977)	(140,996,977)

Value added tax, withholding tax and other statutory related items are excluded as they are non-financial instruments.

3.3 Fair value hierarchy

IFRS 13 requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. A description of the fair value hierarchy is detailed below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Below is the comparison of carrying amount and fair value for financial liabilities that are not measured at fair value:

	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Bank borrowings	59,866,796		59,866,796	
Debt securities issued	113,932,939		113,932,939	
	173,799,735	-	173,799,735	-

3.4 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern in order to maximise returns for shareholders and benefits for other stakeholders as well as maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, capital returned to shareholders, new shares issued, or debt raised.

The Company monitors capital using the gearing ratio. This is determined as the proportion of net debt to equity. No formal debt/equity target has been established.

The gearing ratios at year end is as follows:

	Note	31 December 2022 N'000	31 December 2021 N'000
Debt	i	239,368,409	197,046,960
Cash and cash equivalents		(48,046,647)	(62,338,398)
Net debt		191,321,762	134,708,562
Equity	ii	411,112,542	398,116,748
Gearing ratio		47%	34%

Note i: Debt is defined as long and short term borrowings and debt securities issued.

Note ii: Equity includes all capital and reserves of the Company.

3.4 Capital risk management (continued)

Loan covenants

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

- The company shall not cause a change to its ownership structure which will result in a change of control without the prior written consent of the bank.

- The Company shall provide the bank with a copy of its audited statement of financial position and profit or loss accounts within 120 days of the end of the financial year.

The Company complied with these covenants and has thus classified all outstanding borrowings as current and non-current liabilities in the statement of financial position as at 31 December 2022.

4 Critical accounting estimates, judgments

The preparation of financial statements requires Directors to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on Directors experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Significant accounting judgment and estimate made in the preparation of the financial statements is shown below.

4.1 Estimation of the useful life and depreciation method of property, plant and equipment

Property, plant and equipment and intangible assets with definite life are depreciated over their useful life. The Company estimates the useful lives of property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Company estimates the useful life of quarries based on the amount of limestone reserve in the quarries. The estimates change based on the budgeted amount of limestones to be mined and the actual limestone mined during the reporting period.

It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A change in the estimated useful lives of the quarries would either increase or decrease the carrying value of quarry assets. The effect of the change in useful life of the quarry assets is also evident in the amount of depreciation charged. The effect of the change in useful life of the quarry assets is also evident in the amount of depreciation charged.

The method of depreciation for the quarry assets was changed from unit of production method to straight line method.

4.2 Provision for decommissioning liabilities

The Board of Directors exercises significant judgement in estimating provision for restoration/decommissioning costs. Should these estimates vary, profit or loss and statement of financial position in the following years would be impacted. The estimation of the decommissioning costs is based on technical evaluations carried out by staff and experts with knowledge of the site and experience with similar assets. Estimated costs of restoring, where practical, all areas disturbed by mining operations to an acceptable land use and capability are based on expected future value of current market prices based on inflation rates. This is discounted to a present value using the yield on long-term risk free bonds over the expected useful life of the sites.

Estimates could change due to changes in inflation rate, expected useful life of assets, yield on risk free bonds and market prices. The amount and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated costs could reduce the cost of the mines and reduce interest expense.

4.2 Provision for decommissioning liabilities (continued)

The table below shows the balance of decommissioning liability and the impact on the Company's loss and equity if the inflation rate had increased or decreased by 5-10% with all other variables held constant.

	31 December 2022 N'000	31 December 2021 N'000
Present value of decommissioning liability	12,698,952	8,265,812
Effect of 5% increase in inflation rate	634,948	413,291
Effect of 5% decrease in inflation rate	(634,948)	(413,291)
Effect of 10% increase in inflation rate	1,269,895	826,581
Effect of 10% decrease in inflation rate	(1,269,895)	(826,581)

4.3 Defined benefit plan

The present value of the Company's defined benefit plan and the related current service cost and past service cost, are measured using the Projected Unit Credit (PUC) Method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life expectancy and probable turnover of beneficiaries. Details of assumptions made in arriving at the defined benefit obligation are disclosed in note 11b.

5 Revenue from contracts with customers

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

	31 December 2022 N'000	31 December 2021 N'000
Sale of bagged cement	359,075,378	256,712,322
Sale of bulk cement	1,913,727	614,769
	360,989,105	257,327,091

The Company did not have any transaction with a single customer that contributed more than 10% of the total revenue from the sale of cement (2021: N27.59 billion). The revenue from customers are recognised at a point in time when control is transferred to the customer.

a Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market.

(i) **Primary geographical markets**	31 December 2022 N'000	31 December 2021 N'000
Nigeria	356,609,466	254,994,208
Outside Nigeria	4,379,639	2,332,883
	360,989,105	257,327,091

(b) Liabilities relating to contracts with customers

The Company has recognised the following liabilities relating to contracts with customers:

	31 December 2022 N'000	31 December 2021 N'000
Contract liabilities	92,166,502	78,586,238

The following shows the movement in contract liabilities during the year

	2022 N'000	2021 N'000
Balance as at 1 January	78,586,238	42,138,330
Payments received in advance of satisfaction of performance obligation/discount offered	411,001,174	319,052,600
Revenue recognised (net of rebates and discounts)	(360,588,470)	(257,327,091)
Refunds, taxes and other transfers	(36,832,440)	(25,277,601)
	92,166,502	78,586,238

		31 December 2022 N'000	31 December 2021 N'000
6	**Cost of sales**		
(a)	Raw materials	24,984,085	22,907,534
	Energy consumption	91,185,377	51,202,605
	Lubricants	890,854	1,002,359
	Quarry fees and royalties	644,093	315,918
	Staff cost (Note 9)	4,573,394	3,131,687
	Amortisation of intangible assets (Note 17)	316,108	41,102
	Depreciation of property, plant and equipment (Note 15)	17,218,433	12,672,149
	Other repairs and maintenance expenses	8,746,848	8,611,347
	Operation and maintenance service charges	46,440,450	31,950,643
	Management and technical support fees	628,272	1,827,829
	Water supply	301,457	44,170
	Explosives	792,896	558,986
	Transportation and travelling expenses	43,396	25,491
	Refractories cost	925,142	1,425,945
	Insurance	572,539	299,009
	**Other expenses	733,818	373,458
	Subtotal (before decommissioning adjustment)	198,997,162	136,390,231
	*Decommissioning liability adjustment	(1,052,726)	-
	Total (after decommissioning adjustment)	197,944,436	136,390,231

(b) *Decommissioning liability adjustment relates to a decrease in decommissioning liability of two quarries, Ikpobia and Cambut, that exceeds the carrying amount of the decommissioning asset in line with IFRIC 1.

**Other expenses mainly include protective clothings, uniforms and laboratory expenses.

	31 December 2022 N'000	31 December 2021 N'000
Carrying value of assets	1,517,632	-
Decrease in decommissioning estimate	(2,570,358)	-
*Decommissioning liability adjustment (Note 23)	(1,052,726)	-

(c) No non-audit services were provided by the Company's auditor (2021: Nil). Non-audit services provided by other professionals in respect of the financial statements are as follows:

Name of professional	FRC number of the professional	Name of firm	Nature of service
Wise Chigudu (MBA, FIA)	FRC/2022/PRO/NAS/00000024119	Ernst & Young	Actuarial
Oluwole Obayomi (FCIT)	FRC/2014/CITN/00000010157	KPMG	Tax

		31 December 2022 N'000	31 December 2021 N'000
7	**Administrative expenses**		
	Energy consumption	142,703	38,634
	Staff cost (Note 9)	2,959,738	4,329,477
	Amortisation of intangible assets (Note 17)	35,070	3,796
	Depreciation of property, plant and equipment (Note 15)	870,877	498,660
	Depreciation of right of use (Note 16)	73,441	82,486
	Impairment of property, plant and equipment (Note 15)	139,657	-
	Audit fee	147,853	149,817
	*Consultancy fees	287,503	183,722
	Other repairs and maintenance expenses	697,952	562,298
	Office running expenses	341,386	577,264
	Communication expenses	449,054	370,555
	Security expenses	1,005,818	740,191
	Subscription dues	66,419	205,317
	Transportation and travelling expenses	371,116	185,710
	Bank charges	665,191	550,511
	Insurance	424,979	177,722
	Rental expense	540	8,794
	Foreign exchange loss	5,501,109	301,727
	**Other expenses	549,816	273,694
	Listing Fees	256,777	277,887
	Donation	1,073,681	1,020,365
	Public relations	626,525	140,746
	Directors' expenses	294,525	238,236
	Directors' emoluments (Note 29c)	318,033	240,471
		17,299,763	11,158,080

*Consultancy fee includes tax, legal and administrative fees.

**Other expenses relate mainly to the commissioning expenses for Line 4 and Annual General Meeting expenses.

		31 December 2022 N'000	31 December 2021 N'000
8	**Distribution and selling expenses**		
	Staff cost (Note 9)	1,074,427	1,459,074
	Distribution cost	13,088,596	4,125,375
	Depreciation of property, plant and equipment (Note 15)	4,045,910	2,173,266
	Cement haulage charges	268,658	260,802
	Office running expenses	10,078	4,694
	Advertising and sales promotion cost	92,899	52,739
	Communication expenses	87,030	7,093
	Transportation and travelling expenses	52,510	40,487
	Rental expense	2,098	2,643
	Other expenses	89,014	61,041
		18,811,220	8,187,214

		31 December 2022 N'000	31 December 2021 N'000
9	**Staff costs**		
	Staff salaries and allowances	7,502,100	6,032,093
	Staff welfare and training	288,002	162,028
	Medical expenses	154,137	140,177
	Pension (employer contribution)	399,986	299,726
	Share based payment (Note 15c)	-	1,926,230
	Defined benefit plan (Note 15b):		
	- Current service cost	348,380	359,983
	- Plan amendment	(85,046)	-
		8,607,559	8,920,238

		31 December 2022 N'000	31 December 2021 N'000
10	**Impairment writeback on financial assets**		
	Impairment reversal on trade receivables (Note 20ii)	276	5,394
		276	5,394

Impairment reversal relates to the recovery of bad debts during the year.

		31 December 2022 N'000	31 December 2021 N'000
11	**Other income**		
	Sundry income	252,763	195,409
	Insurance claims	189,770	97,522
	Amortisation of government grant (Note 26)	910,761	900,695
	Modification gain	1,432,561	1,434,056
		2,785,855	2,627,682

Insurance claims relate to payments received from insurance company for compensation on accidented vehicles and trucks.

Sundry income relates to Federal Government of Nigeria (FGN) promissory notes that matured and were liquidated during the year, the sale of iron or metal scraps, grinding aid tanks and scrapped pipes.

The Company recognised modification gains in the sum of N1.4 billion (2021: N1.4 billion) with respect to the Fidelity Bank Plc and Union Bank of Nigeria Plc long term borrowings.

The borrowings commenced in October 2020 with an interest rate of 5% for the first 5 months, which was to end in February 2021, and 9% subsequently. In 2021, the interest rate was modified, the 5% interest rate was extended for a further 12 months, until February 2022, then 9% subsequently.

In 2022, there was a further extension of the 5% interest rate for 12 months, until February 2023, but in the same 2022, the 5% interest rate was again modified to end in September 2022, then 9% subsequently. Therefore, there were 2 modifications to the borrowings in 2022.

		31 December 2022 N'000	31 December 2021 N'000
12	**Finance income and costs**		
(a)	**Finance income**		
	Interest income	1,941,453	620,604
		1,941,453	620,604
(b)	**Finance costs**		
	Interest expense on lease liability (Note 16)	4,719	9,663
	Interest expense on debt security issued (Note 25)	9,006,680	8,954,267
	Interest expense on defined benefit obligation (Note 14b)	154,440	81,061
	Interest expense on borrowings (Note 24a)	6,743,521	6,972,980
	Interest expense on overdraft	457,933	-
	Other finance costs		
	Interest on funding from related party**	185,341	28,408
	Unwinding of provision for decommissioning liabilities (Note 23)*	860,739	511,610
		17,413,373	16,557,989
	Amount capitalised***	(6,860,008)	(14,852,156)
	Finance costs expensed	10,553,365	1,705,833
	Net finance cost	8,611,912	1,085,229

*The unwinding of provision for liabilities is due to passage of time in recognition of the present value of the future obligation relating to restoration of quarries being mined by the Company as at year end. Amount is non-cash and has been adjusted for in cash generated from operating activities in the statement of cash flows.

**This relates to interest incurred on funding provided by related parties for construction. Interest expense incurred during the construction phase has been capitalised as part of property, plant and equipment in line with IAS 23 (Borrowing cost).

***Capitalised borrowing costs

All interest expense has been calculated using the effective interest rate except interest expense on defined benefit obligations.

The capitalisation rate used to determine the amount of general borrowing costs to be capitalised is the weighted avegrage rate applicable to the Company's general borrowings. The determined effective interest rates are: First Bank Loan - 14.75% (2021: 16.67%), Series 1 Bond - 7.5% (2021 - 8%), RSSF Loan - 11.9% (2021: 12%). The specific borrowing costs were capitalised using the actual cost that are directly attributable to the acquisition, construction or production of the qualifying assets.

		31 December 2022 N'000	31 December 2021 N'000
13	**Taxation**		
(a)	**Income tax charge**		
	Tertiary education tax (2.5% of assessable profit)	2,060,728	1,366,930
	Total current income tax charge	2,060,728	1,366,930
	Police trust fund levy (0.005% of net profit)	6,056	5,078
	Deferred tax charge	17,076,640	11,422,306
	Income tax charge	19,143,424	12,794,314
	Minimum tax (0.05% of gross turnover less franked investment income)	953,855	266,088

The Company applied to the Nigerian Investment Promotion Commission (NIPC) for a pioneer status for its production line 2 in Okpella, Edo State and its production line 4 in Kalambaina, Sokoto State. The pioneer status was approved on 30 July 2021 covering a three-year period from 1 June 2021 and 1 April 2022 respectively. As a result, no current income tax has been accrued on the pioneer profits in the year. On 1 January 2022, production line 3 in Kalambaina exited its pioneer status and has been subject to the companies income tax rules accordingly.

In line with IFRIC 21, N954 million (2021: N266 million) arising from minimum tax computations is included in the charge for the year on the statement of financial position but above the line in the statement of profit or loss and other comprehensive income for the year.

Profit is apportioned between the plants on the basis of cement dispatched from the plants.

		31 December 2022 N'000	31 December 2021 N'000
(b)	**Current income tax liabilities**		
	The movement in current income tax liabilities is as follows:		
	Opening balance	1,697,203	922,428
	Provision for the year	3,014,583	1,633,018
	Police trust fund levy (0.005% of net profit)	6,056	5,078
	Payment during the year	(1,593,646)	(863,321)
	Closing balance	3,124,196	1,697,203

A reconciliation of the company's tax expense and the product of accounting profit multiplied by domestic tax rate for the year ended 31 December 2022 is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Profit before tax	120,154,050	102,873,325
Tax at 30% statutory tax rate	36,046,215	30,861,997
Adjustments:		
Tertiary education tax (2.5% of assessable profit)	2,060,728	1,366,930
Police trust fund levy (0.005% of net profit)	6,056	5,078
Effect of permanent difference	-	556,514
Pioneer status adjustment	(18,969,575)	(20,144,414)
Deferred education tax	-	148,209
Income tax charge	19,143,424	12,794,314

13 Taxation (Continued)

(c) Deferred tax liabilities

	31 December 2022 N'000	31 December 2021 N'000
Opening balance	12,606,257	1,120,222
Deferred tax charge for the year - profit or loss	17,076,640	11,422,306
Deferred tax credit for the year - OCI	13,925	63,729
Closing balance	29,696,822	12,606,257

Deferred tax liabilities relates to unutilised capital allowances, employee defined benefit, unrealised exchange loss and provisions on the Company's Kalambaina Production Line 1 and Okpella Production Line 2 which are expected to unwind with passage of time.

	Property, plant and equipment N'000	Unrealised exchange difference N'000	Provisions and others* N'000	Total N'000
At 1 January 2022	(14,497,970)	2,153	1,889,560	(12,606,256)
Credit to other comprehensive income	-	-	(13,925)	(13,925)
Charged/(credited) to profit or loss	(18,471,568)	658,926	736,002	(17,076,640)
At 31 December 2022	(32,969,538)	661,079	2,611,637	(29,696,821)
At 1 January 2021	(2,662,191)	78,545	1,463,425	(1,120,220)
Credit to other comprehensive income	-	-	(63,729)	(63,729)
Charged/(credited) to profit or loss	(11,835,779)	(76,392)	489,864	(11,422,307)
At 31 December 2021	(14,497,970)	2,153	1,889,560	(12,606,256)

*Others relate to deferred tax liabilities arising from the Company's defined benefits plan to employees.

14 Employee benefit obligations

(a) Defined contribution plan

The company operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act, 2014, with contributions based on the employees' emoluments in the ratio 8% by the employee and 10% by the employer.

The Company's contributions to this scheme is charged to the profit or loss account in the period to which they relate. Contributions to the scheme are managed by the various Pension Managers on behalf of the beneficiary staff, in line with the provisions of the Pension Reform Act.

Consequently, the Company has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to meet the related obligations to employees.

As at 31 December 2022, the Company had no unpaid contribution (2021: N12.6 million).

14 Employee benefit obligation (continued)

(b) Defined benefit plan

The Company has a retirement benefits policy (unfunded) for all of its full-time employees who have served the Company for a minimum of 5 years and above. The Company has a post-retirement programme for any employee who has attained the terminal age limit of 60 years (2021: 60 years).

The valuations of the present value of the defined benefit plan were carried out at 31 December 2022 by Ernst & Young. The present value of the plan and the related current service cost and past service cost, were measured using the Projected Unit Credit (PUC) Method.

In calculating the liabilities, the method:
- Recognises the service rendered to the Company by each member of staff at the reporting date;
- Anticipates that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement and then;
- Discounts the expected benefit payment to the reporting date.

i) **Valuation assumptions**

The valuation assumptions fall under two broad categories:
- Financial assumptions
- Demographic assumptions

Risk exposure

Through its defined benefit pension plans the Company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	The Company's pension obligations is linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

The principal financial assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2022 %	31 December 2021 %
Long term average discount rate per annum	15.0	13.5
Average rate(s) of salary increase per annum	13	12
Average inflation rate per annum	13	12

14 Employee benefit obligations (continued)

(b) Defined benefit plan (continued)

Discount rate

In order to measure the liability, the projected benefit must be discounted to a net present value as at the current statement of financial position date, using an interest assumption (called the discount rate).

IFRS through IAS 19 requires that the discount rate be determined on the Company's statement of financial position date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds).

The discount rate should reflect the duration of the liabilities of the benefit programme.

The weighted average liability duration for the plan is 10.17 years. The average weighted duration of the closest Nigerian government bond as at 25 November 2022 was 6.61 years with a gross redemption yield of 14.64%.

The Company has adopted 15% (2021: 13.5%) per annum as the discount rate for the current year valuation.

ii. Demographic assumptions

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.

Sample age	Number of deaths in year of age out of 10,000 lives	
	2022	**2021**
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from service

Age band	2022 rate	2021 rate
Less than or equal to 30	3.0%	3.0%
31 – 35	3.0%	3.0%
36 – 40	3.0%	3.0%
41 – 45	2.0%	2.0%
46 – 55	5.0%	5.0%

ii) The amount included in the statement of financial position as a result of the entity's obligation in respect of its defined benefit plans is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Present value of the defined benefit plan	3,954,979	3,760,297

14 Employee benefit obligations (continued)

(b) Defined benefit plan (continued)

Reconciliation of change in the present value of the defined benefit plan are as follows:

	2022 N'000	2021 N'000
Balance at beginning of the year	3,760,298	3,645,893
Current service cost	348,380	359,983
Interest cost	154,440	81,061
Defined benefit plan amendment (Employee cost)	(85,046)	-
Actuarial losses/(gains) - Change in assumption	(46,745)	(518,240)
Actuarial losses/(gains) - Experience adjustment	331	297,732
Benefit paid during the year	(176,679)	(106,131)
Balance at end of the year	**3,954,979**	**3,760,298**

Amounts recognised in the statement of profit or loss in respect of these defined benefit plans are as follows:

	31 December 2022 N'000	31 December 2021 N'000
Current service cost (Employee cost)	348,380	359,983
Interest on obligation (Finance cost)	154,440	81,061
Defined benefit plan amendment (Employee cost)	(85,046)	-
	417,774	**441,044**

Amounts recognised in other comprehensive income (OCI) are as follows:

	31 December 2022 N'000	31 December 2021 N'000
Actuarial loss/(gain) on defined benefit plan:		
- Change in assumption	(46,745)	(518,240)
- Change in experience adjustment	331	297,732
	(46,414)	(220,508)
Deferred tax credit	13,925	63,729
Amount recognised in OCI (net of tax)	**(32,489)**	**(156,779)**

14 Employee benefit obligations (continued)

(b) Defined benefit plan (continued)

Net liability recognized in the statement of financial position

	2022 N'000	2021 N'000
Balance at 1 January	3,760,298	3,645,893
Net periodic benefit cost recognised in profit or loss	417,774	441,044
Benefit paid during the year	(176,679)	(106,131)
Amount recognised in other comprehensive income	(46,414)	(220,508)
Balance at 31 December	**3,954,979**	**3,760,298**

iii) **Sensitivity analysis on accrued liability**

		Accrued liabilities 2022 N'000	2021 N'000
		3,954,979	3,760,298
Sensitivity base	**Parameters**		
Discount rate	+1%	3,856,198	3,670,767
	-1%	4,067,647	3,863,172
Salary increase	+1%	4,075,178	3,869,240
	-1%	3,848,185	3,664,152
Mortality experience	Age rated up by 1 year	3,955,177	3,760,378
	Age rated down by 1 year	3,954,471	3,760,227

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The weighted average duration of the defined benefit obligation is 10.17 years (2021 – 9.19 years). The expected maturity analysis of the defined benefit obligation is as follows:

Year	N'000
2023	81,028
2024	208,241
2025	341,569
2026	288,050
2027	299,791
2028-2032	2,723,269

(c) Share based payment - Equity-settled

	31 December 2022 N'000	31 December 2021 N'000
Share based payment expense	-	1,926,230
	-	1,926,230

Bonus shares issued to employees

No bonus shares were issued in 2022 (2021: 27,130,000 shares at an average price of N71 per share).

15 Property, plant and equipment (PPE)

	Land N'000	Buildings N' 000	Plant and machinery N' 000	Furniture and fittings N' 000	Motor vehicles N' 000	Quarry equipment N'000	Tools, computers, laboratory and office equipment N' 000	Trucks N' 000	Capital work in progress N' 000	Total N' 000
Cost										
At 1 January 2022	531,800	59,400,473	358,880,193	686,111	1,942,601	8,274,109	1,333,324	8,693,067	205,696,069	645,437,747
Additions	378,198	1,082,490	472,077	182,615	1,127,641	34,766	320,112	9,160,152	95,343,493	108,101,544
Transfers	-	-	(341,802)	-	-	-	-	-	-	(341,802)
Reclassifications	-	779,274	199,819,596	-	-	-	-	14,954,177	(215,553,047)	-
Write-off	-	-	(155,604)	-	-	-	-	-	-	(155,604)
Changes in estimates (Note 23)	-	-	-	-	-	4,615,528	-	-	-	4,615,528
At 31 December 2022	**909,998**	**61,262,237**	**558,674,460**	**868,726**	**3,070,242**	**12,924,403**	**1,653,436**	**32,807,396**	**85,486,515**	**757,657,413**
At 1 January 2021	463,861	59,290,058	355,996,683	530,242	1,418,748	9,820,977	1,250,044	8,693,067	137,054,928	574,518,608
Additions	226,981	384,504	2,349,074	156,117	523,853	-	184,336	-	68,641,141	72,466,006
Transfers	(159,042)	(274,089)	534,436	(248)	-	-	(101,056)	-	-	1
Changes in estimates (Note 23)	-	-	-	-	-	(1,546,868)	-	-	-	(1,546,868)
At 31 December 2021	**531,800**	**59,400,473**	**358,880,193**	**686,111**	**1,942,601**	**8,274,109**	**1,333,324**	**8,693,067**	**205,696,069**	**645,437,747**

15 **Property, plant and equipment (continued)**

	Land N'000	Buildings N' 000	Plant and machinery N' 000	Furniture and fittings N' 000	Motor vehicles N' 000	Quarry equipment N'000	Tools, computers, laboratory and office equipment N' 000	Trucks N' 000	Capital work in progress N' 000	Total N' 000
Accumulated depreciation										
At 1 January 2022	-	5,532,899	49,577,570	367,449	1,031,201	2,910,002	716,748	6,413,987	-	66,549,856
Charge for the year	-	1,237,823	15,386,932	81,863	435,773	792,830	154,089	4,045,911	-	22,135,221
Transfers	-	-	(25,071)	-	-	-	-	-	-	(25,071)
Write-off	-	-	(15,947)	-	-	-	-	-	-	(15,947)
At 31 December 2022	**-**	**6,770,722**	**64,923,484**	**449,312**	**1,466,974**	**3,702,832**	**870,837**	**10,459,898**	**-**	**88,644,059**
At 1 January 2021	-	4,373,856	38,631,595	307,685	816,281	2,224,372	611,269	4,240,722	-	51,205,780
Charge for the year	-	1,159,043	10,945,975	59,764	214,920	685,629	105,479	2,173,266	-	15,344,075
Transfers	-	-	-	-	-	-	-	-	-	-
At 31 December 2021	**-**	**5,532,899**	**49,577,570**	**367,449**	**1,031,201**	**2,910,002**	**716,748**	**6,413,987**	**-**	**66,549,855**
Net book value										
At 31 December 2022	**909,998**	**54,491,515**	**493,750,976**	**419,414**	**1,603,268**	**9,221,571**	**782,599**	**22,347,498**	**85,486,515**	**669,013,354**
At 31 December 2021	**531,800**	**53,867,574**	**309,302,623**	**318,662**	**911,400**	**5,364,107**	**616,576**	**2,279,080**	**205,696,069**	**578,887,892**

15 Property, plant and equipment (PPE) (continued)

(a) All borrowings are secured by debenture on all the fixed and floating assets of the Company. Refer to note 24 for further details.

Transfer relates to transfer of generators to a related party within the period.

Write-off relates to a fire incidence in Sokoto factory that burnt down some storage tanks of 5 million litres capacity constructed in 2017.

Included in quarry equipment is cost relating to restoration of quarry sites being mined by the Company as at 31 December 2022. Cost as at 1 January 2022 was N8.27 billion (note 15) and an addition of N4.62 billion (2021: a decrease of N1.54 billion) was recognised in the current year due to changes in estimates (N3.57 billion) and adjustment to decommissioning liability (N1.05 billion). Current year depreciation charge recognised on the restoration cost is N792.8 million (2021: N685.6

(b) The depreciation charged for the year is apportioned as follows:

	31 December 2022 N'000	31 December 2021 N'000
Cost of Sales	17,218,433	12,672,149
Administrative Expenses	870,877	498,660
Distribution and selling expenses	4,045,910	2,173,266
	22,135,220	15,344,075

(c) Purchase of property, plant and equipment in statement of cash flows is calculated as follows:

	31 December 2022 N'000	31 December 2021 N'000
Additions in the year	-	72,466,006
Decrease in net book value of property, plant and equipment	90,125,462	-
Adjustment for non-cash items:		
- transfer of assets	316,731	1
- write offs	139,657	-
- capitalised borrowing cost	(6,860,008)	(14,852,156)
Depreciation of property plant and equipment	22,135,221	-
Change in estimate of decommissioning liability	(3,572,402)	-
	102,284,661	57,613,851

16 Leases

This note provides information for leases where the Company is a lessee.

(a) *Amounts recognised in the statement of financial position*

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	31 December 2022 N'000	31 December 2021 N'000
Opening balance as at 1 January 2022	76,848	70,490
Additions	85,734	88,844
Depreciation	(73,441)	(82,486)
Closing balance as at 31 December 2022	89,141	76,848

16 Leases (Continued)
Lease liabilities

	31 December 2022 N'000	31 December 2021 N'000
Opening balance as at 1 January 2022	39,594	37,317
Additions	85,735	88,844
Interest expense on lease liability	4,719	9,663
Payments	(74,260)	(96,230)
Closing balance as at 31 December 2022	55,788	39,594
Current	55,788	-
Non-current	-	39,595
	55,788	39,595

(b) The statement of profit or loss shows the following amounts relating to leases:

i	2022 N'000	2021 N'000
Depreciation charge of right-of-use assets		
Opening balance as at 1 January	176,448	93,962
Charge for the year	73,441	82,486
Closing balance as at 31 December	249,889	176,448

17 Intangible assets

	Licenses N'000	Exploration Assets N'000	Software N'000	Total N'000
Cost				
At 1 January 2022	3,025	5,875,945	86,570	5,965,540
Additions during the year	-	2,123,666	23,154	2,146,820
At 31 December 2022	**3,025**	**7,999,611**	**109,724**	**8,112,360**
Accumulated amortisation				
At 1 January 2022	3,025	585,773	33,480	622,278
Charge for the year	-	324,200	26,978	351,178
At 31 December 2022	**3,025**	**909,973**	**60,458**	**973,456**
Cost				
At 1 January 2021	3,025	4,775,603	83,737	4,862,365
Additions during the year	-	1,100,342	2,833	1,103,175
At 31 December 2021	**3,025**	**5,875,945**	**86,570**	**5,965,540**
Accumulated amortisation				
At 1 January 2021	3,025	565,277	9,077	577,379
Charge for the year	-	20,495	24,403	44,898
At 31 December 2021	**3,025**	**585,772**	**33,480**	**622,277**
Net book value				
At 31 December 2022	**-**	**7,089,638**	**49,266**	**7,138,904**
At 31 December 2021	**-**	**5,290,172**	**53,090**	**5,343,263**

Amortisation charge is expensed in cost of sales and administrative expenses based on the use of the related intangible assets.

18 Inventories

	31 December 2022 N'000	31 December 2021 N'000
Fuel	1,843,532	1,583,518
Engineering spares	22,892,193	15,422,153
Packing materials	2,144,085	2,186,132
Raw materials	13,572,024	14,783,198
Goods in transit	4,291,658	2,555,596
Work in progress	7,205,105	2,196,853
Finished goods	519,693	340,589
	52,468,290	39,068,039

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2022 amounted to N41.58 billion: (2021: N22.91 billion). These were included in cost of sales.

There was no provision made for inventory obsolescence during the year (2021: Nil).

19 Cash and cash equivalents

(a)

	31 December 2022 N'000	31 December 2021 N'000
Cash in hand	10,004	11,999
Cash in bank	35,356,604	49,860,374
Fixed deposits	12,680,039	12,466,025
	48,046,647	62,338,398

(b) Cash and cash equivalent (included in statement of cash flows)

	31 December 2022 N'000	31 December 2021 N'000
Cash in hand	10,004	11,999
Cash in bank	35,356,604	49,860,374
Fixed deposits	12,680,039	12,466,025
Total	48,046,647	62,338,398

20 Trade receivables

i.

	31 December 2022 N'000	31 December 2021 N'000
Gross carrying amount – trade receivables	20,833	122,525
Less: loss allowance (Note 3.1.2)	(3,263)	(3,539)
Net carrying amount – trade receivables	17,570	118,986

ii. Impairment of trade receivables

The reconciliation of loss allowance for trade receivables as at 31 December 2021 to the opening loss allowance on 1 January 2022 and to the closing loss allowance as at 31 December 2022 is as follows:

	31 December 2022 N'000	31 December 2021 N'000
As at 1 January	3,539	8,933
Reversals during the year	(276)	(5,394)
At 31 December	3,263	3,539

21 Prepayments and other assets

	31 December 2022 N'000	31 December 2021 N'000
*Other prepayments	30,117,350	1,433,576
Prepayment for engineering and construction work	50,319,656	36,411,024
Advance to staff	253,380	53,252
	80,690,386	37,897,852

*Other prepayments relate to advance payments made to vendors for supply of products and spares.

22 Trade and other payables

(a)

	31 December 2022 N'000	31 December 2021 N'000
Financial liabilities:		
Trade payables	52,579,817	3,480,385
Other payables and accrued expenses	4,517,703	934,750
Unclaimed dividend	689,536	474,742
	58,368,156	6,745,124
Non-financial liabilities:		
Accruals, provisions and other liabilities	581,100	1,855,247
Statutory obligations	19,744,276	15,533,288
	78,112,432	22,278,412

(b) Changes in trade payables in the statement of cash flows is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Movement in trade payables and other payables	55,834,020	1,590,356
Effect of unrealised exchange loss (Note 7)	(5,501,109)	-
Movement in unclaimed dividend received	(214,794)	-
	50,118,117	1,590,356

23 Provision for decommissioning liabilities

BUA Cement Plc is involved in the mining of four active limestone quarries, two clay quarry and four proposed quarries. The quarry licenses are largely for 5 years at a time, and can be renewed for a nominal fee on expiration. The Company has a constructive obligation to restore, where practical, all areas disturbed by mining operations to an acceptable land use and capability and has made provision for the estimated cost of site restoration. The decommissioning provision is estimated based on the assumption that decommissioning will take place between 24 months and 156 months as at 31 December 2022.

There were eight active quarries as at 31 December 2022 (2021: eight quarries) namely Cambut, Obu pit, Camp clay, Ikpobia clay, Elele clay, Edelstein, Edelstein north Freedom and Gamla, with estimated useful lives ranging from 24 months to 156 months (2021: 12 months to 72 months). Hence, in the event of renewal of the licenses after the first expiration, some of these quarries would not have reached the end of their useful lives before the license can be renewed for a second time. Where there is a possibility that these licenses would not be renewed, then, the estimated useful lives would be adjusted to reflect the new assumption.

The provision for decommissioning cost has been estimated based on the scope and method of abandonment using current requirements, price level adjusted for inflation and discounted using a risk-free discount rate for the eight active quarry sites as at 31 December 2022. Actual costs may however differ from the estimates based on the prevailing assumptions at the relevant periods.

(a) The table below shows the movement in the decommissioning liabilities:

	31 December 2022 N'000	31 December 2021 N'000
Balance at 1 January	8,265,812	9,291,470
Increase/(decrease) in decommissioning liability as a result of changes in estimates	4,625,128	(1,537,268)
Decommissioning liability adjustment (Note 6)	(1,052,726)	-
Unwinding of interest	860,739	511,610
At 31 December	12,698,952	8,265,812

(b) Provision for decommissioning liabilities

	31 December 2022 N'000	31 December 2021 N'000
Current	2,496,096	594,337
Non-current	10,202,856	7,671,475
	12,698,952	**8,265,812**

24 Bank borrowings

	31 December 2022 N'000	31 December 2021 N'000
Bank loans	125,435,470	83,495,701
	125,435,470	83,495,701

	31 December 2022 N'000	31 December 2021 N'000
Bank loans - Current	80,695,381	39,810,241
Bank loans - Non-current	44,740,089	43,685,460
	125,435,470	**83,495,701**

24 Bank borrowings (continued)

(a) The analysis of borrowings during the year is as shown below:

	31 December 2022 N'000	31 December 2021 N'000
At 1 January	83,495,702	156,097,899
Additional drawdowns in the year	178,449,460	29,227,684
Modification gain	(1,432,561)	-
Principal repayments	(136,982,278)	(102,939,124)
Interest expense (Note 12)	2,127,241	1,075,091
Interest capitalised	4,616,280	5,897,889
Interest repayments	(4,838,374)	(5,863,737)
At 31 December	**125,435,470**	**83,495,702**

Bank borrowings are secured by an all asset debenture over the fixed and floating assets of the Company. The First Bank borrowing was secured with land and building comprising factory buildings, warehouses and other buildings; and plant and machineries of the Company.

The above borrowings are further classified based on average interest rate, maturity and provider of funds:

	Average Interest Rate	Maturity	2022 N'000	2021 N'000
First Bank - Import trade finance	-	-	61,254,259	16,951,141
First Bank - Long term loan	17.0%	30 June 2024	9,820,011	16,307,649
Union Bank (RSSF Loan)	2020 - 5% 2022 - 9%	30 September 2030	18,132,260	17,817,754
Union Bank LCs	-	-	2,093,109	2,133,768
Fidelity Bank (RSSF Loan)	2020 - 5% 2022 - 9%	30 September 2030	17,130,063	17,542,936
Coronation Merchant Bank - Import trade finance		-	6,540	112,540
First City Monument Bank - Import trade finance		-	1,007,766	925,878
Union Bank IFF (Cleanline)		-	1,207,000	11,704,036
First Bank Loan 2	17%	-	14,784,462	-
			125,435,470	**83,495,702**

(b) Bank borrowings

Current bank borrowings relate to short term Import Finance Facilities (IFF) from several Nigerian banks with average maturity of 12 months. They also include the portion of non-current bank borrowings repayable within the next 12 months. Non-current bank borrowings are secured by fixed and floating assets of the Company. They include N26 billion obtained from First Bank of Nigeria Plc for a period of 48 months with effect from July 2020 at a floating interest of 17% per annum (December 2021: 13.5%). N20 billion was obtained from Union Bank of Nigeria and Fidelity Bank each for a period of 10 years with effect from October 2020 at a floating interest of 5% per annum until August 2022 and then 9% afterwards.

	31 December 2022 N'000	31 December 2021 N'000
25 Debt security issued		
Debt securities at amortized cost:		
Series 1 bond (Note 24b)	113,932,939	113,551,259
	113,932,939	113,551,259

24 Bank borrowings (continued)

	31 December 2022 N'000	31 December 2021 N'000
Non-current	113,932,939	113,551,259
	113,932,939	**113,551,259**

	31 December 2022 N'000	31 December 2021 N'000
(a) The analysis of debt security issued during the year is as shown below:		
At 1 January	113,551,259	113,195,044
Interest expense (Note 12)	6,762,952	-
Interest capitalised	2,243,728	8,954,267
Interest repayments	(8,625,000)	(8,598,052)
At 31 December	113,932,939	113,551,259

(b) The Company issued a local bond of N115 billion on 30 December 2020 with a coupon rate of 7.5% payable semi-annually (Series 1 of N200 billion bond issuance programme). The bond has a tenor of 7 years and is due on 30 December, 2027. There is a moratorium of 3 years on the principal repayment of the bond, whilst interest is payable on a semi-annual basis at their respective interest rates.

BUA Cement Plc will have the right to exercise a call option to effect early redemption of the bonds, either in part or in whole, as from the expiration of 48 months from the issue date, in accordance with the provisions of the Series 1 Trust Deed.

On initial recognition of the Series 1 bond, management assessed the impact of the call option on the contractual cash flows to the bondholders and determined that the call option does not materially affect the contractual cash flows of the debt host contract, hence the option is closely related to the host contract and is not bifurcated from the host contract. The Series1 bond has been classified as a debt measured at amortised cost using effective interest rate.

26 Government grant

	31 December 2022 N'000	31 December 2021 N'000
(a) Current	910,761	910,761
Non-current	2,810,501	3,721,262
	3,721,262	**4,632,023**

	2022 N'000	2021 N'000
(b) Movement in government grant is analysed below:		
Balance as at 1 January	4,632,023	5,532,718
Amount unwound to profit or loss (Note 8)	(910,761)	(900,695)
Balance as at 31 December	**3,721,262**	**4,632,023**

Government grant arose from a Central Bank of Nigeria (CBN) intervention fund for the construction of a 3 million metric tonnes per annum of Cement Plant in Kalambaina, Sokoto in 2020. It relates to the Fidelity Bank RSSF and Union Bank RSSF which were granted at initial rate of 5% and 9% subsequently. The interest rates on these borrowings were below market rate and the portion below the market rate was treated as government grant.

27 Share capital

	31 December 2022 N'000	31 December 2021 N'000
(a) ***Authorised:***		
40 billion ordinary shares @ 50 kobo per share	20,000,000	20,000,000

	31 December 2022 N'000	31 December 2020 N'000
(b) ***Issued and fully paid***		
Balance as at 1 January and 31 December		
- 33,864,354,000 ordinary shares @ 50 kobo per share	16,932,177	16,932,177

28 Earnings per share

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

	31 December 2022 N'000	31 December 2021 N'000
Profit attributable to ordinary equity holders of the Company	101,010,626	90,079,011
Weighted average number of ordinary shares in issue	33,864,354	33,864,354
Basic earnings per share (Naira)	2.98	2.66

Diluted earnings per share is the same as the basic earnings per share as there are no potential securities convertible to ordinary shares.

29 Particulars of Directors and staff

(a) Particulars of staff

The average number of persons, excluding Directors, employed by the Company during the year was as follows:

	31 December 2022 Number	31 December 2021 Number
Management	17	16
Production	748	699
Administration	404	376
	1,169	**1,091**

(b) The table below shows the number of employees (excluding Directors) of the Company in receipt of emoluments, including allowances and pension costs within the following bands during the year.

		31 December 2022 Number	31 December 2021 Number
N100,000	- N500,000	8	-
N500,001	- N1,000,000	20	168
N1,000,001	- N2,000,000	397	294
N2,000,001	- N3,000,000	226	258
N3,000,001	- N4,000,000	231	150
N4,000,001	- N5,000,000	109	83
N5,000,001	- N10,000,000	131	104
N10,000,001	- N15,000,000	28	16
N15,000,001	- N20,000,000	2	8
Above	- N20,000,000	17	10
		1,169	**1,091**

29 Particulars of Directors and staff (continued)

(c) Particulars of Directors

Directors' emoluments

The remuneration paid to the Directors of the Company was:

	31 December 2022 N'000	31 December 2021 N'000
Emoluments paid to the Directors of the Company	318,033	240,471
Amount paid to the highest paid Director	125,298	104,971

The number of Directors of the Company (including the highest paid Director) whose remuneration, excluding pension contributions in respect of services to the Company fell within the following ranges:

	31 December 2022	31 December 2020
N15,000,001 - N45,000,000	7	7
N80,000,001 - N110,000,000	1	1
	8	8

30 Related party transactions and balances

The ultimate majority shareholder of the Company, Alhaji Abdul Samad Rabiu CFR, CON is the ultimate controlling party. The ultimate controlling party has controlling interests in other companies. These companies are considered to be related parties to BUA Cement Plc.

The Company's transactions and balances arising from dealings with related parties during the year are shown below:

(a) Transactions with related parties

i **Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. BUA Cement Plc has identified its management team as its key management personnel. The compensation paid or payable to key management for employee services is shown below:

	31 December 2022 N'000	31 December 2021 N'000
Salaries and other short-term employee benefits	439,590	656,131
Pension costs	18,700	27,585
Share-based payment	-	1,926,230
	458,290	2,609,947

ii **Management and technical service fees**

Fees are chargeable on technical support, management and administrative services provided by BUA Industries Limited to Sokoto Plant. The technical fees are chargeable at 2.83% of the Sokoto Plant's annual net sales in line with the Management Service Agreement with BUA Industries Limited. The agreement was terminated in February 2022.

During the financial year ended 31 December 2022, N0.63 billion was charged for management and technical services (2021: N1.83 billion).

30 Related party transactions and balances (continued)

iii Transfer/(receipt) of funds

The treasury function of related entities of the Company are managed centrally.

(b) Outstanding balances with related parties

The receivables from related parties represents represents advance payments for goods/services expected from related parties. There is no outstanding balance due to related parties (2021: N1.48 billion).

i Due from related parties	Relationship	31 December 2022 N'000	31 December 2021 N'000
BUA International Limited	Sister company	11,996,667	-
PW Nigeria Limited	Sister company	4,550,925	4,776,195
		16,547,592	4,776,195

ii Due to related parties	Relationship	31 December 2022 N'000	31 December 2021 N'000
BUA International Limited	Sister company	-	1,477,927
		-	1,477,927

(c) Impairment of receivables from related parties

There was no impairment charged on amount due from related parties (2021: nil).

The net carrying amount of receivables from related parties is shown below	31 December 2022 N'000	31 December 2021 N'000
Gross carrying amount – due from related parties (Note 30aiii)	16,547,592	4,776,195
	16,547,592	4,776,195

30 Related party transactions and balances (continued)

(d) Changes in due from related parties in the statement of cash flows is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Movement in due from related parties	(11,771,397)	(4,776,195)
	(11,771,397)	(4,776,195)

(e) Changes in due to related parties in the statement of cash flows is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Movement in due to related parties	(1,477,927)	(33,019,833)
Effect of unrealised exchange loss on related party balances (Note 7)	-	(301,727)
*Effect of interest on funding from related party (Note 12)	(185,341)	(28,408)
	(1,663,268)	(33,349,968)

*Interests on funding from related parties are interests on letters of credit which the related party took on behalf of the Company. The Company repays the interest on the letters of credit to the related party.

31 Contingent liabilities

The Company is subject to some pending litigations arising in the normal course of business as at 31 December 2022. There are no contingent liabilities in respect of these pending litigations as at 31 December 2022 (2021: Nil).

32 Capital commitments and guarantees

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Purchase of delivery truck	10,028,280	-
Payment for off-road dump truck	377,720	-
70MV Power Plant	19,297,574	10,766,333
Expansion of Line 2 packing plant with two packers- civil & structural works	-	339,601
Construction of executive guest houses - 2 nos	-	123,446
Expansion of trailer park	-	60,772
	29,703,574	11,290,152

(b) Guarantees

The Company had guarantee of N100 million with Keystone Bank Limited as at 31 December 2022 (2021: N224.3 million) with maturity date of 2 December 2022.

32 Capital commitments and guarantees (Continued)

(c) Confirmed letters of credit and other obligations on behalf of customers

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk. These instruments are issued in favour of Wartsila. The contractual amounts of the off-balance sheet financial instruments are:

- Letters of credit worth €19,445,010 with United Bank for Africa Plc and €19,627,028 from Zenith Bank Plc.

33 Subsequent events

There was no significant event after the reporting period which could have had a material effect on the disclosures and financial position of the Company as at 31 December 2022 and on its profit or loss and other comprehensive income for the period.

Other national disclosures

Statement of value added

	Note	31 December 2022 N'000	%	31 December 2021 N'000	%
Revenue	5	360,989,105		257,327,091	
Other income	11	2,785,855		2,627,682	
		363,774,960		259,954,773	
Less: Bought in materials and services:					
Local and imported		(204,233,730)		(131,575,126)	
Value added		159,541,230	100	128,379,647	100
Applies as follows:					
To pay employees:					
Staff cost	9	8,607,559	6	8,920,238	7
To pay providers of funds:					
Net finance cost	12	8,611,912	5	1,085,229	1
To pay government:					
Income tax charge	13a	19,143,424	12	12,794,314	10
To provide for enhancement of assets and growth:					
Depreciation	6, 7 & 8	22,135,220	14	15,344,075	12
To augment reserve		101,043,115	63	90,235,790	70
		159,541,230	100	128,379,647	100

This statement represents the distribution of the wealth created through the use of the Company's assets by its own and employees' efforts.

Five-year financial summary

	BUA Cement Plc				
	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	N'000	N'000	N'000	N'000	N'000
Assets employed					
Non-current assets	676,241,399	584,308,003	527,668,305	408,405,566	399,431,134
Current assets	197,770,485	144,199,470	238,634,273	62,161,029	88,543,157
Current liabilities	(257,561,155)	(145,355,119)	(208,100,189)	(96,461,863)	(175,748,284)
Non-current liabilities	(205,338,186)	(185,035,606)	(182,247,661)	(10,407,490)	(3,613,823)
Net assets	411,112,543	398,116,748	375,954,728	363,697,242	308,612,184
Capital employed					
Ordinary share capital	16,932,177	16,932,177	16,932,177	16,932,177	16,932,177
Other reserves	(707,868)	(740,357)	(897,136)	(72,902)	194,926
Retained earnings	194,884,054	181,920,749	159,915,508	146,833,788	91,480,902
Reorganisation reserve	200,004,179	200,004,179	200,004,179	200,004,179	200,004,179
Total equity	411,112,542	398,116,748	375,954,728	363,697,242	308,612,184

	BUA Cement Plc				
	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	N'000	N'000	N'000	N'000	N'000
Revenue from contract with customers	360,989,105	257,327,091	209,443,487	175,518,326	119,012,572
Profit before tax	120,154,050	102,873,325	78,873,498	66,224,501	39,166,582
Income tax (expense)/credit	(19,143,424)	(12,794,314)	(6,529,162)	(5,614,216)	24,905,420
Profit for the year	101,010,626	90,079,011	72,344,336	60,610,285	64,072,002
Total comprehensive income	101,043,115	90,235,790	71,520,102	60,342,457	64,072,002
Earnings per share (Naira)	2.98	2.66	2.14	1.79	1.89
Net assets per share (Naira)	24.28	23.51	22.20	21.48	18.23

Net assets per share is calculated by dividing net assets of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.