

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Contents

Corporate information	3
Report of the directors	4 - 8
Corporate governance report	9 - 17
Report of the audit committee	18 - 20
Statement of directors' responsibilities	21
Statement of corporate responsibilities over financial reporting	22
Management's annual assessment of, and report on, internal control over financial reporting	23
Management's certification on internal control over financial reporting	24
Independent auditor's report	25 - 28
Independent practitioner's report	29 - 30
Statement of profit or loss and other comprehensive income	31
Statement of financial position	32
Statement of changes in equity	33
Statement of cash flows	34
Notes to the financial statements	35 - 81
Other national disclosures:	82
Statement of value added	83
Five-year financial summary	84

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate information

Company registration number

RC 1193879

Board of Directors

Abdul Samad Rabiul CFR, CON	Nigerian	Chairman	
Yusuf Haliru Binji	Nigerian	Managing Director/Chief Executive Officer	
Jacques Piekarski	Swiss	Chief Finance Officer	
Kabiru Rabiul	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	
Ganiat Adetutu Siyonbola	Nigerian	Independent Non-Executive Director	(Appointed 25 October 2023)

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
FBNQuest Merchant Bank Ltd
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
Providus Bank
Stanbic IBTC Bank Plc
Standard Chartered Bank Nigeria Limited
Sterling Bank Plc
Taj Bank Limited
Union Bank of Nigeria Plc
United Bank for Africa Limited
Zenith Bank Plc

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Report of the directors

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 2023.

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 2023 are set out on page 31. The profit for the year has been transferred to retained earnings. The summarized results are presented below:

	31 December 2023 N'000	31 December 2022 N'000
Revenue from contracts with customers	459,998,999	360,989,105
Profit before tax	67,228,176	120,154,050
Income and deferred tax credit/(expense)	2,226,574	(19,143,424)
Profit after tax	69,454,750	101,010,626

4 Dividend declaration

The Board of Directors ("the Board") recommends for the approval of shareholders a payment of N2.00 dividend per 1 ordinary share of 50 kobo each, out of the profits declared in the financial year ended 31 December 2023 (2022: N2.80k).

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Report of the directors

5 Directors and Directors' interests (continued)

		31 December 2023	31 December 2022
		Number of Shares held	Number of Shares held
Direct holding	Representing		
Abdul Samad Rabi CFR, CON	-	18,974,995,225	19,044,995,225
Yusuf Haliru Binji	-	827,093	827,080
Chimaobi Madukwe		845,450	845,450
Kabiru Rabi		820,000	820,000
Finn Arnoldsen		820,000	820,000
Shehu Abubakar		1,000,000	1,000,000
Jacques Piekarski		820,000	820,000
Ganiat Adetutu Siyonbola		3,000	-
Indirect holding			
Abdul Samad Rabi	Damnaz Cement Company Limited	637,403,152	637,403,152
	BUA Industries Limited	13,462,681,069	13,562,681,069
	BUA International Limited	8,137,766	8,162,766
Total		33,088,352,755	33,258,374,742

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

As at the reporting date, the Board comprised of the chairman, 5 non-executive Directors and 1 executive Director. The Board considers its Directors as independent for the purpose of their contributions to the invaluable integrity, corporate wisdom and experience towards the Board and **committees'** deliberations and decisions. The Board is therefore satisfied with the performance and continued independence of judgment of each of the Directors. The ratification of appointment as Directors will be proposed at the next annual general meeting.

6 Statistical analysis of the shareholding as at 31 December 2023

Range of Shareholding	Number of Shares held	Holder %	Holders Cumulative	Units	Units %	Units Cumulative
1-1000	22,907	61.51%	22,907	8,346,852	0.02%	8,346,852
1001-5000	9,564	25.68%	32,471	20,982,797	0.06%	29,329,649
5001-10000	1,649	4.43%	34,120	12,091,552	0.04%	41,421,201
10001-50000	2,581	6.93%	36,701	57,816,113	0.17%	99,237,314
50001-100000	265	0.71%	36,966	18,628,118	0.06%	117,865,432
100001-500000	190	0.51%	37,156	42,213,604	0.12%	160,079,036
500001-1000000	36	0.10%	37,192	26,519,704	0.08%	186,598,740
1000001-999999999999	50	0.13%	37,242	33,677,755,320	99.45%	33,864,354,060
	37,242	100%		33,864,354,060	100%	

Substantial Interest in Shares

According to the register of members as at 31 December 2023, 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 Rabi CFR, CON	18,974,995,225	56.03%
BUA Industries Limited	13,462,681,069	39.75%
Total	32,437,676,294	95.79%

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Report of the directors

6 Statistical analysis of the shareholding as at 31 December 2023 (continued)

Shareholding per category

S/N	Holder type	Holder count	Holdings	Percentage (%)
1	Corporate	1,730	14,625,224,548	43.19%
2	Foreign	81	324,580	0.00%
3	Government	13	5,883,144	0.02%
4	Individual	35,315	19,159,579,380	56.58%
5	Institution	62	25,272,190	0.07%
6	Joint	29	31,507,084	0.09%
7	Pension	12	16,563,134	0.05%
		37,242	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 and political 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 (2022: Nil),

Charitable gifts totaling N1.06 billion (2022: N1.07 billion) were given out in accordance with the **Company's** policy on social development and improvement of the community.

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

	N'000
Construction of Afokpella - Camp concrete road - Okpella	221,961
Financial assistance to Alofeli Empowerment Foundation	1,000
Annual development levy - Okpella town	200,000
Annual development levy - Ososo town	16,667
Installation & commissioning of 5 units of 500 kva transformers for Okpella town	40,505
NBA AGM sponsorship	100,000
Scholarship to Okpella students	70,055
Reactivation of two boreholes at Okpella towns- Okhomunyo & Imiekuri	4,761
Renovation classroom at Ikpomaza, Okpella	10,613
Renovation & furnishing -3 classroom blocks at Iddo 2, Okpella	9,354
Renovation of Afokpella Sec. Sch. Okpella	9,310
Renovation of 6 classrooms at Utayokhe School, Okpella	9,555
BUA Cement Scholarship for 2022	11,500
Drilling of 6" diameter solar power borehole & construction	11,767
Supply of 4900*80 leaves and 2810*60 leaves exercise books to schools in the state.	2,998
Construction and install of transformer at Gidan Solanke	14,800
Renovation of burnt girls hostel at AA Raji special school	5,879
7.5KVA inverter 48V, 300W solar panels for Masallacin Shehu	5,026
Installation of 630KVA, transformer and extension of 6.6KV I	6,616
Repair of vandalized transformer at Gidan Bailu	3,278
Extension of street light from trucks park junction to wamakko junction	57,401
Furnishing of multi-purpose hall at BUA cement school, sokoto	7,917
Purchase of 20 units of 4x4 pick up as CRS to Sokoto State Govt Security Task Force	189,768
Renovation of roundabouts at Arkilla, Gidan Man-Ada, & NNPC junctions in Sokoto town.	18,387
Settlement for Purchase of Drugs for community Clinics	15,000
Drilling of 6" solar motorized borehole and construction	11,406
Total	1,055,523

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Report of the directors

9 Acquisition of own shares

The Company did not purchase any of its own shares during the year (2022: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 N76,079,240,887 as at 31 December 2023 is compliant with the free float requirement for the Main Board of the Nigerian Exchange.

Share Price at end of reporting period:		N97.00
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 Rabi CFR, CON	18,974,995,225	56.03
BUA Industries Limited	13,462,681,069	39.75
Total Substantial Shareholdings	32,437,676,294	95.79
Directors' Shareholdings (direct and indirect)		
Abdul Samad Rabi CFR, CON - Indirect	637,403,152	1.88
Yusuf Haliru Binji- Direct	827,093	0.00
Jacques Piekarski- Direct	820,000	0.00
Kabiru Rabi- Direct	820,000	0.00
Kenneth Chimaobi Madukwe - Direct	845,450	0.00
Finn Arnoldsen- Direct	820,000	0.00
Shehu Abubakar- Direct	1,000,000	0.00
Ganiat Adetutu Siyonbola	3,000	0.00
Total Directors' Shareholdings	642,538,695	1.90
Other Influential Shareholdings		
Total Other Influential Shareholdings	-	-
Free Float in Units and Percentage	784,139,071	2.32
Free Float in Value (N)	76,079,240,887	

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 organized 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Report of the directors

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 five (5) 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 2023.

14 Events after reporting period

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 2023 and on its profit or loss and other comprehensive income for the period.

15 Approval of financial statements

The Directors on 27 February 2024 have approved these financial statements for the year ended 31 December 2023 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.)
Company Secretary
FRC No.: FRC/2022/NBA/002/00000023786
BUA Cement Plc
Lagos, Nigeria

Dated this: 27th day of February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Corporate governance report

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 2023 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.

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

Composition of the Board

As at December 31, 2023, the Board is composed of nine (9) Directors that are diverse with skills in manufacturing, engineering, business, finance and law. The Directors consist of seven (7) Non-Executive Directors, three (3) 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.

Ganiat Adetutu Siyonbola was appointed as an independent non-executive director on 25 October 2023.

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

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 five (5) times during the period under review.

Attendance Register of the Members of the Board for the year ended December 31, 2023:

Name of Director	Date of meeting and attendance				
	2/23/2023	4/27/2023	7/19/2023	10/25/2023	12/21/2023
Abdul Samad Rabi, CFR, CON	P	P	P	P	P
Yusuf Haliru Binji	P	P	P	P	P
Chimaobi Madukwe	P	P	P	P	P
Kabiru Rabi	P	P	P	P	P
Finn Arnoldsen	P	P	P	P	P
Khairat Abdulrazaq Gwadabe	P	P	P	P	P
Shehu Abubakar	P	P	P	P	P
Jacques Piekarski	P	P	P	P	P
Ganiat Adetutu Siyonbola	-	-	-	-	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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

(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 five (5) 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				
		2/22/2023	4/26/2023	7/18/2023	10/24/2023	12/12/2023
1	Kabiru Rabi	P	P	P	P	P
2	Chimaobi Madukwe	P	P	P	P	P
3	Shehu Abubakar	P	P	P	P	P
4	Yusuf Haliru Binji	P	P	P	P	P
5	Jacques Piekarski	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. At the October 2023 meeting, Shehu Abubakar was deployed to serve on the Governance Committee. The Committee's 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, Statutory 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

(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 five (5) 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				
			2/17/2023	4/26/2023	7/18/2023	10/25/2023	12/11/2023
1	Khairat Abdulrazaq Gwadabe	Chairman	P	P	P	P	P
2	Chimaobi Madukwe	Member	P	P	P	P	P
3	Kabiru Rabi	Member	P	P	P	P	P
4	Finn Arnolds	Member	P	P	P	P	P
5	Shehu Abubakar	Member	-	-	-	-	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 five (5) 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				
			2/21/2023	4/25/2023	7/18/2023	10/24/2023	12/12/2023
1	Finn Arnolds	Chairman	P	P	P	P	P
2	Khairat Abdulrazaq Gwadabe	Member	P	P	P	P	P
3	Shehu Abubakar	Member	P	P	P	P	P
4	Yusuf Haliru Binji	Member	P	P	P	P	P
5	Jacques Piekarski	Member	P	P	P	P	P

Note:

P = Present

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

(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. At the October 2023 meeting, Shehu Abubakar was replaced by Ganiat Adetutu Siyonbola. 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 Statement:**

Below is the membership of the committee:

- | | | |
|-----------------------------|---------------|----------|
| 1. Ajibola A. Ajayi | (Shareholder) | Chairman |
| 2. Kabiru A. Tambari | (Shareholder) | Member |
| 3. Oderinde Taiwo | (Shareholder) | Member |
| 4. Kabiru Rabi | (Director) | Member |
| 5. Shehu Abubakar | (Director) | Member |
| 6. Ganiat Adetutu Siyonbola | (Director) | Member |

(d) Statutory Audit Committee (continued)

The Committee held five (5) scheduled meetings in the year and attendance at the meetings was as follows:

	Name of Director	Date of meeting and attendance				
		2/22/2023	4/26/2023	7/18/2023	10/23/2023	12/12/2023
1	Ajibola A. Ajayi	P	P	P	P	P
2	Kabiru A. Tambari	P	P	P	P	P
3	Oderinde Taiwo	P	P	P	P	P
4	Kabiru Rabi	P	P	P	P	P
5	Shehu Abubakar	P	P	P	P	-
6	Ganiat Adetutu Siyonbola	-	-	-	-	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 5 (five) Non-Executive Directors; the Committee is chaired by an Independent Non-Executive Director. At the October 2023 Board meeting, the newly appointed Independent Director in person of Ganiat Adetutu Siyonbola was further appointed to serve on the Board Audit Committee. The Committee held 3 (three) 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		
		2/21/2023	7/19/2023	10/23/2023
1	Shehu Abubakar	P	P	P
2	Finn Arnolds	P	P	P
3	Khairat Abdulrazaq Gwadabe	P	P	P
4	Chimaobi Madukwe	P	P	P
5	Ganiat Adetutu Siyonbola	-	-	-

Note: P = Present

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Corporate governance report

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 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

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 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Corporate governance report

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 Exchange Listing Requirements and Rules.

By order of the Board of Directors



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

Dated this: 27th day of February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Report of the audit committee

The Audit Committee is pleased to present this report for the financial year ended 31 December 2023 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 three shareholders, one of whom chairs it, and two Non-Executive Directors nominated by the Board and meets quarterly or whenever the need arises. At the October 2023 meeting, Shehu Abubakar was replaced by Ganiat Adetutu Siyonbola.

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				
	2/22/2023	4/26/2023	7/18/2023	10/23/2023	12/12/2023
Ajibola A. Ajayi	P	P	P	P	P
Kabiru A. Tambari	P	P	P	P	P
Oderinde Taiwo	P	P	P	P	P
Kabiru Rabi	P	P	P	P	P
Shehu Abubakar	P	P	P	P	-
Ganiat Adetutu Siyonbola	-	-	-	-	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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Report of the audit committee

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 2023.

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
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 2023 are adequate;**
- We are satisfied with the External **Auditors'** Management Report for the year ended 31 December 2023, as well as the response of the Management thereto.



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

Dated this: 26th day of February 2024

AUDIT COMMITTEE MEMBERS:

Ajibola Ajayi FCA, CFA	-	Chairman - Independent shareholder
Oderinde Taiwo	-	Member - Independent shareholder
Kabiru A. Tambari	-	Member - Independent shareholder
Kabiru Rabi	-	Member - Director
Ganiat Adetutu Siyonbola	-	Member - Director

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
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



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



Yusuf Haliru Binji
Managing Director
FRC/2013/NSE/00000001746

27th February 2024

27th February 2024

27th February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 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, 2023**.

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**.

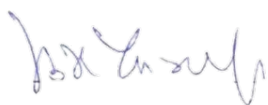
We also confirm that the Company’s Auditors and Audit Committee have been informed about the following:

(i) there are no 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 deficiency in internal controls, and

(ii) that there are no 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, 2023.



Yusuf Haliru Binji
Managing Director
FRC/2013/NSE/00000001746



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

27th February 2024

27th February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Management's annual assessment of, and report on, internal control over financial reporting

To comply with the provisions of Section 1.3 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007, we hereby make the following statements regarding the Internal Controls of BUA Cement Plc for the year ended 31 December 2023:

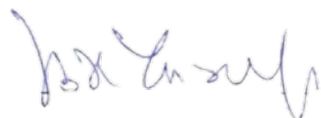
i) BUA Cement **Plc's** management is responsible for establishing and maintaining a system of internal control over financial reporting ("**ICFR**") that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

ii) BUA Cement **Plc's** management used the Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control-Integrated Framework to conduct the required evaluation of the effectiveness of the entity's ICFR;

iii) **BUA Cement Plc's management has assessed that the entity's ICFR as of the end of 31 December 2023 is effective.**

iv) BUA Cement **Plc's** external auditor Messrs PricewaterhouseCoopers that audited the financial statements, included in the annual report, has issued an attestation report on management's assessment of the entity's internal control over financial reporting.

The attestation report of Messrs PricewaterhouseCoopers that audited its financial statements will be filed as part of BUA **Cement Plc's annual report.**



Yusuf Haliru Binji
Managing Director
FRC/2013/NSE/00000001746



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

27th February 2024

27th February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Management's certification on internal control over financial reporting

We, Yusuf H. Binji and Jacques Piekarski, certify that:

- a) We have reviewed the report of management on the internal control system of BUA Cement Plc;
- b) Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on our knowledge, the financial statements, and other financial information, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented;
- d) The Company's other certifying officer(s) and we:**
- are responsible for establishing and maintaining internal controls;
 - have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - have evaluated the effectiveness of the Company's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) The Company's other certifying officer(s) and we have disclosed, based on our most recent evaluation of internal control system, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
- All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably **likely to adversely affect the Company's ability to record, process, summarize and report financial information; and**
 - Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control system.
- f) The Company's other certifying officer(s) and we have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.



Yusuf Haliru Binji
Managing Director
FRC/2013/NSE/00000001746

27th February 2024



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

27th February 2024



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 2023, 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 (Amendment) Act, 2023.

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 2023;
 - the statement of financial position as at 31 December 2023;
 - 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 material 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
<p><i>Provision for decommissioning liabilities</i> (Refer to notes 2.15, 4.2 and 23 to the financial statements)</p> <p>As at 31 December 2023, the directors recognised provision for decommissioning liabilities amounting to N25.1 billion in relation to the restoration of active mining quarry sites to acceptable land use conditions.</p> <p>We focused on this area due to the materiality of the provision and because the directors exercised significant judgement in estimating the liabilities.</p> <p>Areas where significant judgements were exercised by the directors include:</p> <ul style="list-style-type: none"> 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 lives of mining quarry sites, mineable reserves and actual resources mined used in the decommissioning liabilities model. 	<p>We adopted a substantive approach in assessing the provision for decommissioning liabilities. Specifically, we performed the following procedures:</p> <ul style="list-style-type: none"> 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; <ul style="list-style-type: none"> 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, Management's Annual Assessment of, and Report on, Internal Control Over Financial Reporting, Management's Certification on Internal Control Over Financial Reporting, Statement of Value Added and 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 2023 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 2023 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 (Amendment) Act, 2023 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.

In accordance with the requirements of the Financial Reporting Council of Nigeria, we performed a limited assurance engagement and reported on management's assessment of BUA Cement Plc's internal control over financial reporting as of 31 December 2023. The work performed was done in accordance with FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, and we have issued an unqualified report in our report dated 29 February 2024.


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

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



29 February 2024



Independent practitioner's report

To the Members of BUA Cement Plc

Report on an assurance engagement performed by an independent practitioner to report on management's assessment of controls over financial reporting

Our opinion

In our opinion, nothing has come to our attention that the internal control procedures over financial reporting put in place by management of BUA Cement Plc ("the company's") are not adequate as of 31 December 2023, based on the SEC Guidance on Implementation of Section 60 – 63 of The Investments and Securities Act 2007 issued by The Securities and Exchange Commission.

What we have performed

We have performed an assurance engagement on BUA Cement Plc's internal control over financial reporting as of December 31, 2023, based on FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting ("the Guidance") issued by the Financial Reporting Council of Nigeria. The company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Assessment of, and Report on, Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our assurance engagement.

Basis for opinion

We conducted our assurance engagement in accordance with the Guidance, which requires that we plan and perform the assurance engagement and provide a limited assurance report on the entity's internal control over financial reporting based on our assurance engagement. As prescribed in the Guidance, the procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provide a basis for our report on the internal control put in place by management over financial reporting.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers Chartered Accountants Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

Other matter

We also have audited, in accordance with the International Standards on Auditing, financial statements of BUA Cement Plc and our report dated 29 February 2024 expressed an unqualified report.

Oladele Oladipo

For: **PricewaterhouseCoopers**

Chartered Accountants

Lagos, Nigeria

Engagement Partner: Oladele Oladipo

FRC/2013/ICAN/00000002951



29 February 2024

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Statement of profit or loss and other comprehensive income

	Notes	31 December 2023 N'000	31 December 2022 N'000
Revenue from contracts with customers	5	459,998,999	360,989,105
Cost of sales	6	(276,043,486)	(198,379,891)
Gross profit		183,955,513	162,609,214
Administrative expenses	7(a)	(12,296,007)	(10,492,855)
Foreign exchange loss	7(b)	(69,956,047)	(5,501,109)
Distribution and selling expenses	8	(29,068,304)	(19,681,565)
Impairment (loss)/writeback on financial assets	10	(45)	276
Other income	11	2,062,130	2,785,855
Operating profit		74,697,240	129,719,816
Finance income	12(a)	12,882,124	1,941,453
Finance cost	12(b)	(19,936,889)	(10,553,365)
Net finance cost		(7,054,765)	(8,611,912)
Minimum tax charge	13(a)	(414,299)	(953,855)
Profit before tax		67,228,176	120,154,049
Income and deferred tax credit/(expense)	13(a)	2,226,574	(19,143,424)
Profit after tax		69,454,750	101,010,625
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of defined benefit obligations (net of tax)	14(b)	(522,951)	32,489
Other comprehensive income for the year net of tax		(522,951)	32,489
Total comprehensive income for the year		68,931,799	101,043,114
Earnings per share			
Basic and diluted (Naira)	28	2.05	2.98

The results shown above relate to continuing operations.


The notes on pages 35 to 81 are an integral part of these financial statements.

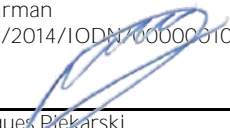
BUA Cement Plc
Annual report and financial statements
As at 31 December 2023
Statement of financial position


		31 December 2023 N'000	31 December 2022 N'000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	15	803,502,888	669,013,354
Right-of-use assets	16(a)	115,627	89,141
Intangible assets	17	12,821,664	7,138,904
		<u>816,440,179</u>	<u>676,241,399</u>
Current assets			
Inventories	18	85,805,780	52,468,290
Cash and cash equivalents	19	225,077,529	48,046,647
Trade receivables	20	63,615	17,570
Prepayments and other assets	21	84,994,536	80,690,386
Due from related parties	30(b)	3,304,738	16,547,592
		<u>399,246,198</u>	<u>197,770,485</u>
Total assets		<u>1,215,686,377</u>	<u>874,011,884</u>
Liabilities			
Non-current liabilities			
Bank borrowings	24	295,467,446	44,740,089
Debt security issued	25	114,124,633	113,932,939
Employee benefit obligations	14	4,572,204	3,954,979
Deferred tax liabilities	13(c)	13,783,316	29,696,822
Government grant	26(a)	1,996,272	2,810,501
Provision for decommissioning liabilities	23	23,480,729	10,202,856
		<u>453,424,600</u>	<u>205,338,186</u>
Current liabilities			
Lease liabilities	16(a)	73,867	55,788
Contract liabilities	5(b)	105,115,874	92,166,502
Trade and other payables	22	81,964,317	79,066,287
Due to related parties	30(b)	51,118,269	-
Current income tax liabilities	13(b)	13,564,271	2,170,341
Bank borrowings	24	122,689,462	80,695,381
Government grant	26(a)	862,495	910,761
Provision for decommissioning liabilities	23	1,649,072	2,496,096
		<u>377,037,627</u>	<u>257,561,156</u>
Total liabilities		<u>830,462,227</u>	<u>462,899,342</u>
Equity attributable to shareholders			
Ordinary share capital	27	16,932,177	16,932,177
Retained earnings		169,518,613	194,884,054
Reorganisation reserve		200,004,179	200,004,179
Defined benefit plan reserve		(1,230,819)	(707,868)
Total equity		<u>385,224,150</u>	<u>411,112,542</u>
Total equity and liabilities		<u>1,215,686,377</u>	<u>874,011,884</u>


The notes on pages 35 to 81 are an integral part of these financial statements.

The financial statements and other national disclosures on pages 31 to 84 were approved and authorised for issue by the Board of Directors on 27th February 2024 and were signed on its behalf by:


Abdul Samad Rabiou CFR, CON
Chairman
FRC/2014/IODM/00000010111


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


Yusuf Haliru Binji
Managing Director/CEO
FRC/2013/NSE/00000001746


Chikezie Ajaero
Finance Director
FRC/2014/ICAN/00000010408

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Statement of changes in equity

	Share capital (Note 27)	Defined benefit plan reserve	Retained earnings	Reorganisation reserve	Total
	N'000	N'000	N'000	N'000	N'000
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 (Note 14b)	-	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
Balance at 1 January 2023	16,932,177	(707,868)	194,884,054	200,004,179	411,112,542
Comprehensive income					
Profit for the year	-	-	69,454,750	-	69,454,750
Other comprehensive income for the year (Note 14b)	-	(522,951)	-	-	(522,951)
Total comprehensive income	-	(522,951)	69,454,750	-	68,931,799
Transactions with owners:					
Dividend declared and paid to BUA Cement Plc's shareholders	-	-	(94,820,191)	-	(94,820,191)
	-	-	(94,820,191)	-	(94,820,191)
Balance at 31 December 2023	16,932,177	(1,230,819)	169,518,613	200,004,179	385,224,150

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

The notes on pages 35 to 81 are an integral part of these financial statements.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Statement of cash flows

	Notes	31 December 2023 N'000	31 December 2022 N'000
Cash flows from operating activities			
Profit before income tax		67,228,176	120,154,049
Adjustment for non-cash items:			
Net impairment loss/(gain) on financial assets	10	45	(276)
Write-off of trade receivables	20(ii)	3,238	-
Unrealised foreign exchange loss	7	69,956,047	5,501,112
Unrealised foreign exchange gain on cash and cash equivalents		(43,890,346)	(38,321)
Decommissioning liabilities adjustment	6	-	(1,052,726)
Amortization of government grant	11	(862,495)	(910,761)
Modification gain	11	-	(1,432,561)
Write-off of property, plant and equipment	15	-	139,657
Depreciation of property, plant and equipment	15	24,986,201	22,135,220
Transfer of property plant and equipment	15	-	316,731
Amortisation of intangible assets	17	411,112	351,178
Finance income	12(a)	(12,882,124)	(1,941,453)
Finance cost	12(b)	19,936,889	10,553,365
Minimum tax	13(a)	414,299	953,855
Defined benefit plan amendment	14(b)	-	(85,046)
Current service cost - Defined benefit plan	14(b)	338,639	348,380
Actuarial gain on defined benefit obligation	14(b)	746,239	(46,414)
Remeasurement of defined benefit obligation	14(b)	(522,951)	32,489
Deferred tax (credit)/charge on actuarial loss	13(c)	(224,122)	13,925
Planned participant contribution	14(b)	(286,092)	-
Depreciation of right-of-use asset	16(b)	96,695	73,441
Operating cash flows before movements in working capital		125,449,451	155,065,844
Movement in working capital:			
Increase in contract liabilities	5(b)	12,949,372	13,580,264
Increase in inventories	18	(33,337,490)	(13,400,251)
(Increase)/decrease in trade and other receivables	20	(49,328)	101,692
(Increase) in prepayments and other assets	21	(4,304,150)	(42,792,534)
(Decrease)/increase in trade and other payables	22(b)	(15,016,489)	50,118,117
Increase/(decrease) in amounts due from related parties	30(d)	13,242,854	(11,771,397)
Decrease/(increase) in amounts due to related parties	30(e)	51,118,269	(1,663,268)
Cash generated from operations		150,052,489	149,238,467
Tax paid	13(b)	(2,068,880)	(1,593,646)
Defined benefit paid during the year	14(b)	(380,905)	(176,679)
Net cash flow from operating activities		147,602,705	147,468,141
Investing activities			
Purchase of property, plant and equipment	15(c)	(110,907,768)	(101,231,934)
Interest received	12(a)	12,882,124	1,941,453
Purchase of intangible assets	17	(6,093,873)	(2,146,820)
Net cash flows used in investing activities		(104,119,517)	(101,437,301)
Financing activities			
Dividend paid to equity holders		(94,820,191)	(88,047,321)
Unclaimed dividends received	22	24,615	214,794
Interest payment on overdraft	12(b)	(2,318,651)	(457,933)
Principal and interest repayment on lease liability	16(a)	(116,688)	(74,260)
Proceeds from borrowings	24	325,322,449	178,449,460
Principal repayment of borrowings	24	(93,746,240)	(136,982,278)
Interest repayment on borrowings	24	(36,062,945)	(4,838,374)
Interest repayment on debt securities	25	(8,625,000)	(8,625,000)
Net cash flows generated/(used in) from financing activities		89,657,350	(60,360,912)
Net increase/(decrease) in cash and cash equivalents		133,140,538	(14,330,072)
Cash and cash equivalents at 1 January		48,046,647	62,338,398
Effects of exchange rate differences on cash and cash equivalents		43,890,343	38,321
Cash and cash equivalents at 31 December	19	225,077,528	48,046,647

The notes on pages 35 to 81 are an integral part of these financial statements.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the 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 (now Nigerian Exchange) on 9 January 2020. BUA Cement Plc is ultimately owned by Alhaji Abdulsamad Rabiul 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 Rabiul CFR, CON is the Chairman of the Board of Directors and the ultimate owner of the Company.

2 Summary of material 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 comply with the International Financial Reporting Standards (IFRS) 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 (Amendment) Act 2023.

The financial statements have been prepared under the historical cost convention, except for employee benefit obligation - plan assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the 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. The 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 (N'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 N69.45 billion for the year ended 31 December 2023 (2022: N101.01 billion). At the statement of financial position date, the Company had a net asset of approximately N385.22 billion (2022: N411.11 billion) and net current assets of approximately N22.2 billion (2022: net current liabilities of N59.79 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 following standards and amendments for the first time in the annual reporting period commencing 1 January 2023.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

2.1.2 Changes in accounting policies and disclosures (continued)

- (a) IFRS 17: Insurance Contracts
- (b) Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- (c) **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**
- (d) Amendment to IAS 12 - International tax reform

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 2023 reporting periods and have not been early adopted by the company. These new standards and interpretations are set out below:

- (a) *Amendment to IAS 7 and IFRS 7 - Supplier finance [Effective from January 1 2024]*

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an **entity's** liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the **IASB's** response to **investors'** concerns that some **companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.**

This amendment is not expected to have a material impact on the financial statement of the Company because they do not have any supplier finance arrangement.

- (b) *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 statement of the Company because they do not have any lease on sale and leaseback.

- (c) *Amendments to IAS 21 - Lack of Exchangeability [Effective from January 1 2025]*

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The amendment is not expected to have a material impact on the financial statements of the Company as the Company has foreign currency transactions in US Dollars and Euro that are readily exchangeable.

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

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

It clarifies that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the **entity's reporting date.**

This amendment may have a material impact on the financial statements of the Company if it fails to meet the requirements of the covenants of its loan arrangements.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

2.1.2 Changes in accounting policies and disclosures (continued)

(e) **IFRS S1, 'General requirements for disclosure of sustainability-related financial information' [Effective 1 January 2024]**

This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an **entity's** value chain. IFRS S1 requires entities to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reporting in making decisions relating to providing resources to the entity.

This Standard is expected to have a material impact on the financial statements of the Company as it may influence an **entity's** cash flows, access to finance or cost of capital over the short, medium or long term through current and anticipated effects.

(f) **IFRS S2, 'Climate-related disclosures' [Effective 1 January 2024]**

This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the **entity's** prospects over the short, medium and long term. To achieve this objective, an entity is required to refer to and consider the applicability of industry-based disclosure topics as defined in the Industry-Based Guidance on Implementing IFRS S2.

This Standard is expected to have a material impact on the financial statements of the Company as it would be expected to disclose metrics on greenhouse gas emissions and other climate-related risks and opportunities.

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 statement.

Foreign exchange gains and losses are presented on a net basis in the income statement.

2.3 Property, plant and equipment

All property, plant and equipment are initially measured at cost and subsequently recognised 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. The gain or loss is determined as proceeds from disposal less the net book value of the asset.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

2.3 Property, plant and equipment (continued)

	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. No depreciation/amortisation is charged during the exploration phase.

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 all inventory is determined using the weighted average method and comprises purchase cost and other direct costs, incurred in bringing the inventories to their 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. They are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components and measured at fair value. They are subsequently measured at amortised cost using the EIR method, less loss allowance.

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 non-interest bearing.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 Company has chosen to present interest paid on borrowings, leases and debt securities as financing cash flows. Interest received on financial assets held for cash management purposes has been presented as investing cash flows.

The Company has presented cash flow from the purchase of property, plant and equipment and intangible assets as cash flow from investing activities.

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.

Borrowing costs included in Finance cost in profit and loss include;

- (i) Interest expense on borrowings
- (ii) interest in respect of lease liabilities
- (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

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 losses.

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

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 haulage 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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, unwinding of discount of decommissioning liability, dividends on preference shares that are classified as debt, the amortisation of discounts and premiums on debt instruments that are liabilities, interest on tax payable where the interest element can be identified separately, interest expense calculated using the EIR method, and the increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year. 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 method.

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.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 low value 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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 arising from future commercial transactions and some recognised assets and liabilities to the US Dollar and Euro. 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 primarily exposed to the US Dollar and Euro.

The Central Bank of Nigeria announced operational changes to the foreign exchange market with the re-introduction of the "**Willing Buyer, Willing Seller**" model at the importers and exporters foreign exchange window in June 2023. This has led to significant fluctuations in the foreign exchange rates.

The table below shows the closing balance of US Dollar and Euro denominated financial instruments and the impact on the Company's profit or loss and equity if the exchange rate between the US Dollar, Euro and the Nigerian Naira had increased or decreased by 15-50% (2022: 15 - 20%) with all other variables held constant.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

3.1.1 Market risk (continued)

	31 December 2023 USD N'000	31 December 2023 EUR N'000	31 December 2022 USD N'000	31 December 2022 EUR N'000
Foreign currency denominated balances				
Trade payables	(56,175,442)	(804,903)	(34,997,412)	(573,146)
Cash and cash equivalents	151,589,634	104,117	77,908	687,486
Borrowings	(264,097,120)	-	-	-
	<u>(168,682,928)</u>	<u>(700,786)</u>	<u>(34,919,504)</u>	<u>114,340</u>
Effect of:				
15% increase in exchange rate (2022: 15%)	(25,302,439)	(105,118)	(5,237,926)	17,151
15% decrease in exchange rate (2022: 15%)	25,302,439	105,118	5,237,926	(17,151)
Effect of:				
50% increase in exchange rate (2022: 20%)	(84,341,464)	(350,393)	(17,459,752)	57,170
50% decrease in exchange rate (2022: 20%)	84,341,464	350,393	17,459,752	(57,170)

The aggregate net foreign exchange losses recognised in profit or loss was N69.96 billion (2022: N5.5 billion).

(ii) *Price risk*

The Company is not exposed to price risk.

(iii) *Interest rate risk*

The Company's interest rate risk arises from long term borrowings from the banks which exposes the company to cash flow interest rate risk. Other borrowings are fixed rate short term facilities with minimal exposure to fair value interest rate risk.

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

	Average Interest Rate	31 December 2023 N'000	31 December 2022 N'000
Due to IFC	SOFR + 5.5%	264,097,120	-
Due to First bank of Nigeria Plc	2023: 19% 2022: 17%	17,383,187	24,604,473
Due to First bank of Nigeria Plc	SOFR + 10%	86,807,608	61,254,259
Due to Union Bank of Nigeria	SOFR + 10%	4,543,453	3,300,109
Due to Coronation Merchant Bank	SOFR + 15%	2,508,367	6,540
Due to Sterling Bank	SOFR + 9.5%	4,535,550	-
Due to FBNQuest Merchant Bank	SOFR + 8%	945,662	-
		<u>380,820,947</u>	<u>89,165,381</u>

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 is shown below;

	31 December 2023 N'000	31 December 2022 N'000
Effect of 5% increase in interest rates (2022: 5%)	(19,041,047)	(2,254,117)
Effect of 5% decrease in interest rates (2022: 5%)	19,041,047	2,254,117

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 the 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.

There is no impairment on amount due from related parties because it is not a financial asset (Note 30b).

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 2023 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*	63,685	-	-	-	-	63,685
Default rate	0.11%	0.32%	0.61%	0.98%	100%	
Lifetime ECL	70	-	-	-	-	70
Net trade receivables	63,615	-	-	-	-	63,615

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

3.1.2 Credit risk (continued)

The expected loss rates as at 31 December 2022 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*	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

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

	2023 N'000	2022 N'000
Gross carrying amount as at 1 January	20,833	122,524
Additions during the year	4,026,935	400,635
Rebates offered to customers in the year	-	(6,579)
Receivables written off in the year	(3,238)	-
Receipts for the year	(3,980,845)	(495,747)
Gross carrying amount as at 31 December	63,685	20,833

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 N152.7 billion (2022: N12.6 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 2023				
Financial liabilities:				
Trade and other payables (Note 22)	47,022,284	7,397,178	4,706,085	59,125,547
Due to related parties (Note 30b)	51,118,269	-	-	51,118,269
Bank borrowings (Note 24)	114,612,798	4,761,615	298,782,496	418,156,909
Debt security issued (Note 25)	-	-	114,124,633	114,124,633
Lease liabilities (Note 16)	51,445	12,577	9,845	73,867
	212,804,796	12,171,370	417,623,059	642,599,225

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2022				
Financial liabilities:				
Trade and other payables (Note 22)	29,278,456	27,427,421	1,081,179	57,787,056
Bank borrowings (Note 24)	86,445,381	9,376,707	29,613,382	125,435,470
Debt security issued (Note 25)	-	-	113,932,939	113,932,939
Lease liabilities (Note 16)	-	55,788	-	55,788
	<u>115,723,837</u>	<u>36,859,916</u>	<u>144,627,500</u>	<u>297,211,253</u>

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 2023		At 31 December 2022	
	Amortised cost N'000	Fair value N'000	Amortised cost N'000	Fair value N'000
Financial assets				
Trade receivables	63,615	63,615	17,570	17,570
Cash and cash equivalents	225,077,529	225,077,529	48,046,647	48,046,647
Financial liabilities				
Trade and other payables	(59,125,547)	(59,125,547)	(58,368,156)	(58,368,156)
Due to related parties	(51,118,269)	(51,118,269)	-	-
Short-term bank borrowings	(122,689,462)	(122,689,462)	(65,568,674)	(65,568,674)
Long-term bank borrowings	(295,467,446)	(298,704,161)	(59,866,796)	(59,866,796)
Current lease liabilities	(73,867)	(73,867)	(55,788)	(55,788)
Debt security issued	(130,940,135)	(130,940,135)	(113,932,939)	(113,932,939)
	<u>(434,273,582)</u>	<u>(437,510,296)</u>	<u>(249,728,136)</u>	<u>(249,728,136)</u>

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

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

3.3 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 2023 N'000	31 December 2022 N'000
Debt	i	532,281,541	239,368,409
Cash and cash equivalents		(225,077,529)	(48,046,647)
Net debt		307,204,012	191,321,762
Equity	ii	385,224,150	411,112,542
Gearing ratio		80%	47%

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.

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 2023.

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

4 Critical accounting estimates, judgments (continued)

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.

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.

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

	31 2023 N'000	31 December 2022 N'000
Present value of decommissioning liability	25,129,801	12,698,952
Effect of 5% increase in inflation rate	1,256,490	634,948
Effect of 5% decrease in inflation rate	(1,256,490)	(634,948)
Effect of 10% increase in inflation rate	2,512,980	1,269,895
Effect of 10% decrease in inflation rate	(2,512,980)	(1,269,895)

4.3 Estimation of defined benefit obligation

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 14b.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2023 N'000	31 December 2022 N'000
Sale of bagged cement	458,047,888	359,075,378
Sale of bulk cement	1,951,111	1,913,727
	<u>459,998,999</u>	<u>360,989,105</u>

Transactions with a single customer (I.C.O. Odigwe & Sons Nigeria Limited) that contributed more than 10% of the total revenue from the sale of cement in 2023 is N 55.4 billion (2022: Nil). 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.

	31 December 2023 N'000	31 December 2022 N'000
(i) Primary geographical markets		
Nigeria	456,075,597	356,609,466
Outside Nigeria	3,923,402	4,379,639
	<u>459,998,999</u>	<u>360,989,105</u>

(b) Liabilities relating to contracts with customers

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

	31 December 2023 N'000	31 December 2022 N'000
Contract liabilities	105,115,874	92,166,502

The following shows the movement in contract liabilities during the year:

	2023 N'000	2022 N'000
Balance as at 1 January	92,166,502	78,586,238
Payments received in advance of satisfaction of performance obligation	516,046,601	411,001,174
Revenue recognised (net of rebates and discounts)	(459,998,999)	(360,989,105)
Refunds, taxes and other transfers	(43,098,229)	(36,431,805)
	<u>105,115,875</u>	<u>92,166,502</u>

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Notes to the financial statements

	31 December 2023 N'000	31 December 2022 N'000
6 Cost of sales		
(a) Raw materials	19,588,675	24,984,085
Energy consumption	123,269,164	91,185,377
Lubricants	1,248,384	890,854
Quarry fees and royalties	864,109	644,093
Staff cost (Note 9)	6,413,796	4,573,394
Amortisation of intangible assets (Note 17)	377,585	316,108
Depreciation of property, plant and equipment (Note 15)	18,920,415	17,218,433
Depreciation of right of use (Note 16)	19,466	-
Other repairs and maintenance expenses	12,732,150	9,040,814
Operation and maintenance service charges	87,415,117	46,440,450
Management and technical support fees	-	628,272
Water supply	234,132	301,457
Explosives	582,465	792,896
Communication expenses	212,356	141,489
Printing and stationery	4,382	-
Subscription dues	5,619	-
Transportation and travelling expenses	291,992	43,396
Refractories cost	1,632,614	925,142
Insurance	1,039,212	572,539
**Other expenses	1,191,853	733,818
Subtotal (before decommissioning adjustment)	276,043,486	199,432,617
*Decommissioning liability adjustment	-	(1,052,726)
Total (after decommissioning adjustment)	276,043,486	198,379,891

*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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

7	Administrative expenses	31 December 2023 N'000	31 December 2022 N'000
(a)	Energy consumption	385,867	260,341
	Staff cost (Note 9)	2,684,310	2,466,043
	Amortisation of intangible assets (Note 17)	33,527	35,070
	Depreciation of property, plant and equipment (Note 15)	577,640	547,938
	Depreciation of right of use (Note 16)	77,229	73,441
	Impairment of property, plant and equipment (Note 15)	-	139,657
	Audit fee	192,000	147,853
	*Consultancy fees	695,812	287,503
	Other repairs and maintenance expenses	350,779	403,986
	Office running expenses	42,650	274,568
	Communication expenses	109,361	54,699
	Printing and stationery	121,393	-
	Security expenses	1,202,104	1,005,818
	Subscription dues	480,738	66,419
	Transportation and travelling expenses	593,185	371,116
	Bank charges	416,342	665,191
	Insurance	466,206	424,979
	Rental expense	10,900	540
	**Other expenses	1,159,197	445,285
	Listing Fees	344,832	256,777
	Donation	1,055,523	1,073,681
	Public relations	607,055	879,392
	Directors' expenses	253,378	294,525
	Directors' emoluments (Note 29(c))	435,979	318,033
		<u>12,296,007</u>	<u>10,492,855</u>

*Consultancy fee includes tax, legal and administrative fees.

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

No non-audit services were provided by the Company's auditor (2022: 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	FRC number of firm	Nature of service
Miller Kingsley (FNAS,FSA)	FRC/2023/COY/209403	Ernst & Young	FRC/2023/COY/209403	Actuarial
Oguntayo Isaac Ogungbenro	FRC/2023/COY/267452	KPMG	FRC/2023/COY/267452	Tax

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

(b) Foreign exchange loss - net

	31 December 2023 N'000	31 December 2022 N'000
Net foreign exchange loss on borrowings	60,666,129	-
Foreign exchange loss capitalised	(8,185,687)	-
Net loss on other foreign exchange transactions	17,475,605	5,501,109
	<u>69,956,047</u>	<u>5,501,109</u>

The foreign exchange loss capitalised relates to the portion of the exchange losses arising from foreign currency borrowings eligible to be capitalised as part of the borrowing costs for capital projects under construction.

	31 December 2023 N'000	31 December 2022 N'000
8 Distribution and selling expenses		
Staff cost (Note 9)	1,664,316	1,074,427
Energy consumption	333	-
Distribution cost	20,720,278	13,088,596
Depreciation of property, plant and equipment (Note 15)	5,488,146	4,368,849
Cement haulage charges	819,616	762,353
Office running expenses	388	10,078
Advertising and sales promotion cost	129,692	92,899
Communication expenses	18,293	87,030
Printing and stationery	25,746	-
Transportation and travelling expenses	113,375	52,510
Rental expense	-	2,098
Other repairs and maintenance expenses	541	-
Other expenses	87,580	142,725
	<u>29,068,304</u>	<u>19,681,565</u>

	31 December 2023 N'000	31 December 2022 N'000
9 Staff costs		
Staff salaries and allowances	9,127,971	7,502,100
Staff welfare and training	451,159	288,002
Medical expenses	205,222	154,137
Pension (employer contribution)	639,433	399,986
Defined benefit plan (Note 14(b))		
- Current service cost	338,639	348,380
- Plan amendment	-	(85,046)
	<u>10,762,424</u>	<u>8,607,559</u>

Details of staff cost is as follows:

	31 December 2023 N'000	31 December 2022 N'000
Cost of sales (Note 6)	6,413,796	4,573,394
Administrative expenses (Note 7)	2,684,310	2,466,043
Distribution and selling expenses (Note 8)	1,664,316	1,074,427
	<u>10,762,422</u>	<u>8,113,864</u>

	31 December 2023 N'000	31 December 2022 N'000
10 Impairment (loss)/writeback on financial assets		
Impairment (loss)/writeback on trade receivables (Note 20ii)	(45)	276
	<u>(45)</u>	<u>276</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

11	Other income	N'000	N'000
	Sundry income	336,621	252,763
	Insurance claims	863,014	189,770
	Amortisation of government grant (Note 26)	862,495	910,761
	Modification gain	-	1,432,561
		<u>2,062,130</u>	<u>2,785,855</u>

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

Sundry income relates to the sale of iron or metal scraps, grinding aid tanks and scrapped pipes.

The Company recognised no modification gain (2022: N1.4 billion).

		31 December 2023 N'000	31 December 2022 N'000
12	Finance income and costs		
(a)	Finance income		
	Interest income	12,882,124	1,941,453
		<u>12,882,124</u>	<u>1,941,453</u>
(b)	Finance costs		
	Interest expense on lease liability (Note 16)	11,588	4,719
	Interest expense on debt security issued (Note 25)	8,816,694	9,006,680
	Interest expense on defined benefit obligation (Note 14(b))	199,344	154,440
	Interest expense on borrowings (Note 24(a))	36,542,044	6,743,521
	Interest expense on overdraft	2,318,651	457,933
	<i>Other finance costs</i>		
	Interest on funding from related party**	-	185,341
	Unwinding of provision for decommissioning liabilities (Note 23)*	1,649,072	860,739
		<u>49,537,393</u>	<u>17,413,373</u>
	Interest capitalised***	(29,600,504)	(6,860,008)
	Finance costs expensed	<u>19,936,889</u>	<u>10,553,365</u>
	Net finance cost	<u>7,054,765</u>	<u>8,611,912</u>

*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).

***This relates to interest capitalised on borrowings.

Interest income relates to interest received on fixed deposits.

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 average rate applicable to the **Company's** general borrowings. The determined effective interest rates are: First Bank LC (15.36%) , Fidelity Bank -12% , Union Bank RSSF loan - 12.29% (2022: 11.9%).

The specific borrowing costs were capitalised using the actual cost that are directly attributable to the acquisition, construction or production of the qualifying assets. The determined effective interest rate of the specific borrowing cost is: IFC Loan - 12.06%.

The interest on the Series 1 Bond (2022 - 7.5%) has ceased to be capitalised as the related qualifying capital assets construction has been completed.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

	31 December 2023 N'000	31 December 2022 N'000
13 Taxation		
(a) Income tax charge		
Tertiary education tax (3% of assessable profit)	2,471,663	2,060,728
Current income tax charge	10,987,765	-
Total current income tax charge	13,459,428	2,060,728
Police trust fund levy (0.005% of net profit)	3,382	6,056
Deferred tax (credit)/charge	(15,689,384)	17,076,640
Income tax (credit)/charge	(2,226,574)	19,143,424
Minimum tax charge (0.05% of gross turnover less franked investment income)	414,299	953,855

In line with IFRIC 21, N414.3 million (2022: N953.9 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. The balance of the minimum tax liability is presented under other liabilities.

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

	31 December 2023 N'000	31 December 2022 N'000
(b) Current income tax liabilities		
The movement in current income tax liabilities is as follows:		
Opening balance	2,170,341	1,697,203
Provision for the year	13,459,428	2,060,728
Police trust fund levy (0.005% of net profit)	3,382	6,056
Payment during the year	(2,068,880)	(1,593,646)
Closing balance	13,564,271	2,170,341

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 2023 is as follows:

	31 December 2023 N'000	31 December 2022 N'000
Profit before tax	67,228,176	120,154,050
Tax at 30% statutory tax rate	20,168,453	36,046,215
<i>Adjustments:</i>		
Tertiary education tax (3% of assessable profit)	2,471,663	2,060,728
Police trust fund levy (0.005% of net profit)	3,382	6,056
Effect of permanent difference	-	-
Pioneer status adjustment	(24,870,072)	(18,969,575)
Income tax charge	(2,226,574)	19,143,424

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

13 Taxation (Continued)

	31 December 2023 N'000	31 December 2022 N'000
(c) Deferred tax liabilities		
Opening balance	29,696,822	12,606,257
Deferred tax charge for the year - profit or loss	(15,689,384)	17,076,640
Deferred tax (credit)/charge for the year - OCI	(224,122)	13,925
Closing balance	13,783,316	29,696,822

Deferred tax liabilities relates to unutilised capital allowances, employee defined benefit, unrealised exchange loss and provisions on the Company's Sokoto Production Line 4 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 2023	(32,969,538)	661,079	2,611,637	(29,696,822)
Credit to other comprehensive income	-	-	224,122	224,122
(Charged)/credited to profit or loss	(6,687,659)	22,190,495	186,547	15,689,382
At 31 December 2023	(39,657,197)	22,851,574	3,022,306	(13,783,318)
At 1 January 2022	(14,497,970)	2,153	1,889,560	(12,606,257)
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	(29,696,822)

*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 2023, the Company had no unpaid contribution (2022: Nil).

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 (2022: 60 years).

The valuations of the present value of the defined benefit plan were carried out at 31 December 2023 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 2023	31 December 2022
	%	%
Long term average discount rate per annum	17	15
Average rate(s) of salary increase per annum	15	13
Average inflation rate per annum	14.5	13

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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).

The discount rate has been 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 is based on market yields on Government bonds).

The discount rate reflects the duration of the liabilities of the benefit programme.

The weighted average liability duration for the plan is 8.44 years. The average weighted duration of the closest Nigerian government bond as at 18 December 2023 was 6.52 years with a gross redemption yield of 15.8%.

The Company has adopted 17.7% (2022: 15%) 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	
	2023	2022
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from service

Age band	2023 rate	2022 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 2023 N'000	31 December 2022 N'000
Present value of unfunded obligations	4,572,205	3,954,980

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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:

	2023 N'000	2022 N'000
Balance at beginning of the year	3,954,979	3,760,298
Current service cost	338,639	348,380
Interest cost	199,344	154,440
Plan participant's contribution	(286,092)	-
Defined benefit plan amendment (Employee cost)	-	(85,046)
Actuarial gains - Change in assumption	(45,370)	(46,745)
Actuarial losses - Experience adjustment	791,609	331
Benefit paid during the year	(380,905)	(176,679)
Balance at end of the year	4,572,204	3,954,979

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

	31 December 2023 N'000	31 December 2022 N'000
Current service cost (Employee cost)	338,639	348,380
Interest on obligation (Finance cost)	199,344	154,440
Defined benefit plan amendment (Employee cost)	-	(85,046)
	537,983	417,774

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

	31 December 2023 N'000	31 December 2022 N'000
Actuarial loss/(gain) on defined benefit plan:		
- Change in assumption	(45,370)	(46,745)
- Change in experience adjustment	791,609	331
	746,239	(46,414)
Deferred tax (credit)/charge	(223,288)	13,925
Amount recognised in OCI (net of tax)	522,951	(32,489)

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

14 Employee benefit obligations (continued)

(b) Defined benefit plan (continued)

Net liability recognized in the statement of financial position

	2023 N'000	2022 N'000
Balance at 1 January	3,954,979	3,760,298
Net periodic benefit cost recognised in profit or loss	537,983	417,774
Benefit paid during the year	(380,905)	(176,679)
Plan participant's contribution	(286,092)	-
Amount recognised in other comprehensive income	746,239	(46,414)
Balance at 31 December	4,572,204	3,954,979

iii) Sensitivity analysis on accrued liability

		2023 N'000	2022 N'000
		4,572,204	3,954,980
Sensitivity base	Parameters		
Discount rate	+1%	1,289,419	3,856,198
	-1%	1,482,604	4,067,647
Salary increase	+1%	1,490,324	4,075,178
	-1%	1,281,392	3,848,185
Mortality experience	Age rated up by 1 year	1,380,584	3,955,177
	Age rated down by 1 year	1,379,176	3,954,471

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 8.44 years (2022 – 10.17 years). The expected maturity analysis of the defined benefit obligation is as follows:

Year	N'000
2024	261,715
2025	448,831
2026	379,591
2027	400,062
2028	599,142
2029-2033	4,846,780

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2023	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
Additions	473,381	108,890	3,070,603	114,906	613,216	-	340,936	5,034,790	138,986,812	148,743,534
Disposals	-	-	-	-	-	-	-	(45,642)	-	(45,642)
Changes in estimates (Note 23)	-	-	-	-	-	10,772,176	-	-	-	10,772,176
At 31 December 2023	<u>1,383,379</u>	<u>61,371,127</u>	<u>561,745,063</u>	<u>983,632</u>	<u>3,683,458</u>	<u>23,696,579</u>	<u>1,994,372</u>	<u>37,796,544</u>	<u>224,473,327</u>	<u>917,127,481</u>
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	<u>909,998</u>	<u>61,262,237</u>	<u>558,674,460</u>	<u>868,726</u>	<u>3,070,242</u>	<u>12,924,403</u>	<u>1,653,436</u>	<u>32,807,396</u>	<u>85,486,515</u>	<u>757,657,413</u>

Included in additions to capital work in progress is borrowing cost of N37.8 billion (2022: N4.6 billion).

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2023	-	6,770,722	64,923,484	449,312	1,466,974	3,702,832	870,837	10,459,898	-	88,644,059
Charge for the year	-	1,228,327	16,768,394	102,564	541,303	943,732	230,926	5,170,955	-	24,986,201
Disposals	-	-	-	-	-	-	-	(5,667)	-	(5,667)
At 31 December 2023	-	7,999,049	81,691,878	551,876	2,008,277	4,646,564	1,101,763	15,625,186	-	113,624,593
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
Net book value										
At 31 December 2023	1,383,379	53,372,078	480,053,185	431,756	1,675,181	19,050,015	892,609	22,171,358	224,473,327	803,502,888
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

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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.

There was no transfer in the period (2022: N341.8 million).

There was no write-off in the year (2022: N155.6 million).

Included in quarry equipment is cost relating to restoration of quarry sites being mined by the Company as at 31 December 2023. Cost as at 1 January 2023 was N12.92 billion (note 15) and an addition of N10.77 billion (2022: an increase of N4.62 billion) was recognised in the current year due to changes in estimates. There was no adjustment to decommissioning liability recognised (2022: N1.05 billion). Current year depreciation charge recognised on the restoration cost is N943.7 million (2022: N792.8 million).

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

	31 December 2023 N'000	31 December 2022 N'000
Cost of sales (Note 6)	18,920,415	17,218,433
Administrative expenses (Note 7)	577,640	547,938
Distribution and selling expenses (Note 8)	5,488,146	4,368,849
	<u>24,986,201</u>	<u>22,135,220</u>

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

	31 December 2023 N'000	31 December 2022 N'000
Additions in the year	-	-
Decrease in net book value of property, plant and equipment	134,489,534	90,125,462
Adjustment for non-cash items:		
- transfer of assets	-	316,731
- write offs	-	139,657
- capitalised borrowing cost	(37,786,191)	(6,860,008)
Depreciation of property plant and equipment	24,986,201	22,135,220
Change in estimate of decommissioning liability	(10,772,177)	(4,615,528)
Recultivation cost	(9,600)	(9,600)
	<u>110,907,767</u>	<u>101,231,934</u>

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:

	31 December 2023 N'000	31 December 2022 N'000
Right-of-use assets		
Opening balance as at 1 January 2023	89,141	76,848
Additions	123,179	85,734
Depreciation	(96,693)	(73,441)
Closing balance as at 31 December 2023	<u>115,627</u>	<u>89,141</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

16 Leases (Continued)

	31 December 2023 N'000	31 December 2022 N'000
Opening balance as at 1 January	249,889	176,448
Charge for the year	96,693	73,441
	<u>346,582</u>	<u>249,889</u>
Lease liabilities		
	31 December 2023 N'000	31 December 2022 N'000
Opening balance as at 1 January 2023	55,788	39,594
Additions	123,179	85,735
Interest expense on lease liability	11,588	4,719
Payments	(116,688)	(74,260)
Closing balance as at 31 December 2023	<u>73,867</u>	<u>55,788</u>
Current	73,867	55,788
Non-current	-	-
	<u>73,867</u>	<u>55,788</u>
(b) The statement of profit or loss shows the following amounts relating to leases:		
	2023 N'000	2022 N'000
i Depreciation charged to cost of sales (Note 6)	19,466	-
Depreciation charged to administrative expenses (Note 7)	77,229	73,441
Finance cost on lease liability (Note 12)	11,588	4,719
	<u>108,283</u>	<u>78,160</u>

17 Intangible assets

	Licenses N'000	Exploration Assets N'000	Software N'000	Total N'000
Cost				
At 1 January 2023	3,025	7,999,611	109,724	8,112,360
Additions during the year	-	6,093,872	-	6,093,872
At 31 December 2023	<u>3,025</u>	<u>14,093,483</u>	<u>109,724</u>	<u>14,206,232</u>
Accumulated amortisation				
At 1 January 2023	3,025	909,973	60,458	973,456
Charge for the year	-	377,585	33,527	411,112
At 31 December 2023	<u>3,025</u>	<u>1,287,558</u>	<u>93,985</u>	<u>1,384,568</u>
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	<u>3,025</u>	<u>7,999,611</u>	<u>109,724</u>	<u>8,112,360</u>
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	<u>3,025</u>	<u>909,973</u>	<u>60,458</u>	<u>973,456</u>
Net book value				
At 31 December 2023	<u>-</u>	<u>12,805,925</u>	<u>15,739</u>	<u>12,821,664</u>
At 31 December 2022	<u>-</u>	<u>7,089,638</u>	<u>49,266</u>	<u>7,138,904</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

17 Intangible assets (continued)

The amortisation charged for the year is apportioned as follows:

	31 December 2023 N'000	31 December 2022 N'000
Cost of sales (Note 6)	377,585	316,108
Administrative expenses (Note 7)	33,527	35,070
	<u>411,112</u>	<u>351,178</u>

Exploration assets are costs directly associated with the acquisition of quarries and other exploration costs.

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

18 Inventories

	31 December 2023 N'000	31 December 2022 N'000
Fuel	13,595,140	1,843,532
Engineering spares	26,863,351	22,892,193
Packing materials	2,832,703	2,144,085
Raw materials	21,469,783	13,572,024
Goods in transit	592,644	4,291,658
Work in progress	19,844,642	7,205,105
Finished goods	607,517	519,693
	<u>85,805,780</u>	<u>52,468,290</u>

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2023 amounted to N23.05 billion (2022: N25.59 billion). These were included in cost of sales.

There was no provision made for inventory obsolescence during the year (2022: Nil).

19 Cash and cash equivalents

Cash and cash equivalent (included in statement of cash flows)	31 December 2023 N'000	31 December 2022 N'000
Cash in hand	8,211	10,004
Cash in bank	72,367,814	35,356,604
Short term deposits	152,701,504	12,680,039
Total	<u>225,077,529</u>	<u>48,046,647</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

20	Trade receivables		
(i)		31 December 2023 N'000	31 December 2022 N'000
	Gross carrying amount – trade receivables	63,685	20,833
	Less: loss allowance (Note 3.1.2)	(70)	(3,263)
	Net carrying amount – trade receivables	63,615	17,570
(ii)	Impairment of trade receivables		
	The reconciliation of loss allowance as at 31 December 2023 is as follows:		
		31 December 2023 N'000	31 December 2022 N'000
	As at 1 January	3,263	3,539
	Write off during the year	(3,238)	-
	Impairment loss/(writeback) for the year	45	(276)
	At 31 December	70	3,263
21	Prepayments and other assets	31 December 2023 N'000	31 December 2022 N'000
	Prepayment for engineering and construction work	47,239,935	50,319,656
	*Other prepayments	37,297,056	30,117,350
	Advance to staff	457,545	253,380
		84,994,536	80,690,386
	*Other prepayments relate to advance payments made to vendors for supply of products and spares.		
22	Trade and other payables		
(a)		31 December 2023 N'000	31 December 2022 N'000
	Financial liabilities:		
	Trade payables	54,028,818	52,579,817
	Other payables and accrued expenses	4,382,578	4,517,703
	Unclaimed dividend	714,151	689,536
		59,125,547	57,787,056
	Non-financial liabilities:		
	Accruals, provisions and other liabilities	279,131	581,100
	Statutory obligations:		
	Payroll tax and other statutory liabilities	1,162,115	1,401,214
	Withholding tax payable	7,350,999	17,154,312
	Minimum tax	414,299	953,855
	Value added tax payable	13,632,226	1,188,750
		81,964,317	79,066,287
(b)	Changes in trade payables in the statement of cash flows is as follows:		
		31 December 2023 N'000	31 December 2022 N'000
	Movement in trade payables and other payables	2,898,030	56,787,875
	Effect of unrealised exchange loss (Note 7)	(17,475,605)	(5,501,109)
	Movement in unclaimed dividend received	(24,615)	(214,794)
	Minimum tax	(414,299)	(953,855)
		(15,016,489)	50,118,117

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

23 Provision for decommissioning liabilities

BUA Cement Plc is involved in the mining of four active limestone quarries, two clay quarries 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 12 months and 144 months as at 31 December 2023.

There were eight active quarries as at 31 December 2023 (2022: eight quarries) namely Cambut, Obu pit, Camp clay, Ikpobia clay, Elele clay, Edelstein, Edelstein north Freedom and Gamla, with estimated useful lives ranging from 12 months to 144 months (2022: 24 months to 156 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 2023. 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 2023 N'000	31 December 2022 N'000
Balance at 1 January	12,698,953	8,265,812
Increase in decommissioning liability as a result of changes in estimates	10,772,177	4,615,528
Recultivation cost	9,600	9,600
Decommissioning liability adjustment (Note 6)	-	(1,052,726)
Unwinding of interest	1,649,072	860,739
At 31 December	25,129,801	12,698,953

(b) Provision for decommissioning liabilities

	31 December 2023 N'000	31 December 2022 N'000
Current	1,649,072	2,496,096
Non-current	23,480,729	10,202,856
	25,129,801	12,698,952

24 Bank borrowings

	31 December 2023 N'000	31 December 2022 N'000
Bank loans	418,156,908	125,435,470
	418,156,908	125,435,470

	31 December 2023 N'000	31 December 2022 N'000
Bank loans - Current	122,689,462	80,695,381
Bank loans - Non-current	295,467,446	44,740,089
	418,156,908	125,435,470

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

	31 December 2023 N'000	31 December 2022 N'000
At 1 January	125,435,470	83,495,702
Additional drawdowns in the year	231,469,510	178,449,460
Modification gain	-	(1,432,561)
Principal repayments	(93,746,240)	(136,982,278)
Accrued Interest - expense (Note 12)	9,260,191	2,127,241
Accrued Interest capitalised	29,600,504	4,616,280
Interest repayments	(36,062,945)	(4,838,374)
Foreign exchange loss expensed	144,014,731	-
Foreign exchange loss capitalised	8,185,687	-
At 31 December	418,156,908	125,435,470

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

24 Bank borrowings (continued)

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 borrowings have been analysed below:

	31 December 2023 N'000	31 December 2022 N'000
Due to International Finance Corporation	264,097,120	-
Due to First Bank of Nigeria Plc	104,190,795	85,858,732
Due to Union Bank of Nigeria Plc	20,865,657	21,432,369
Due to Fidelity Bank Nigeria Limited	18,147,152	17,130,063
Due to Sterling Bank Plc	4,535,550	-
Due to Providus Bank	2,866,605	-
Due to First City Monument Bank Limited	-	1,007,766
Due to Coronation Merchant Bank Limited	2,508,367	6,540
Due to FBNQuest Merchant Bank Limited	945,662	-
	<u>418,156,908</u>	<u>125,435,470</u>

(b) Bank borrowings

(i) Due to First Bank of Nigeria Plc

The amount of N104 million represents the outstanding balance from two (2) long term loans and one short term loan granted by First Bank of Nigeria Plc. The long term loans have an outstanding balance of N3.3 billion and N14.1 billion each with a maturity date of 30 June 2024. The loans are at a floating interest rate of 19% (2022: 17%). The short term loan is an import trade finance loan and it has an outstanding balance of N86.8 billion at a floating rate of SOFR + 10%.

(ii) Due to Union Bank of Nigeria Plc

N20 billion was obtained via CBN intervention fund from Union Bank of Nigeria Plc for a period of 10 years with effect from October 2020 at an interest rate of 5% per annum until August 2022 and then 9% afterwards.

(iii) Due to Fidelity Bank Nigeria Limited

N20 billion was obtained via CBN intervention fund from Fidelity Bank Nigeria Limited for a period of 10 years with effect from October 2020 at an interest rate of 5% per annum until August 2022 and then 9% afterwards.

(iv) Due to International Finance Corporation (IFC)

The amount of N264.1 billion (\$291.1 million) represents an amount payable by the Company on a 9-year term loan granted by IFC and other lenders (African Finance Corporation, African Development Bank, and Deutsch Investitions- Und Entwicklungsgesellschaft mbH) on 27 April 2023. There is a moratorium on principal repayments until 2025 and interest is payable semi-annually at a variable interest rate of 6-months term SOFR+5.5%. The facility will mature in December 2032.

25 Debt security issued
Debt securities at amortized cost:
Series 1 bond

	31 December 2023 N'000	31 December 2022 N'000
	<u>114,124,633</u>	<u>113,932,939</u>
	<u>114,124,633</u>	<u>113,932,939</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

25 Debt security issued (continued)

	31 December 2023 N'000	31 December 2022 N'000
Non-current	114,124,633	113,932,939
	<u>114,124,633</u>	<u>113,932,939</u>
	31 December 2023 N'000	31 December 2022 N'000
(a) The analysis of debt security issued during the year is as shown below:		
At 1 January	113,932,939	113,551,259
Interest expense (Note 12)	8,816,694	6,762,952
Interest capitalised	-	2,243,728
Interest repayments	(8,625,000)	(8,625,000)
At 31 December	<u>114,124,633</u>	<u>113,932,939</u>

- (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.

	31 December 2023 N'000	31 December 2022 N'000
26 Government grant		
(a) Current	862,495	910,761
Non-current	1,996,272	2,810,501
	<u>2,858,767</u>	<u>3,721,262</u>
	2023 N'000	2022 N'000
(b) Movement in government grant is analysed below:		
Balance as at 1 January	3,721,262	4,632,023
Amount unwound to profit or loss (Note 11)	(862,495)	(910,761)
Balance as at 31 December	<u>2,858,767</u>	<u>3,721,262</u>

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.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

27 Share capital

	31 December 2023 N'000	31 December 2022 N'000
(a) <i>Authorised:</i>		
33,864,354,060 ordinary shares @ 50 kobo per share	16,932,177	-
40 billion ordinary shares @ 50 kobo per share	-	20,000,000

At the board meeting held on the 27th April 2023, the board recommended the cancellation of 6,135,645,940 shares, making the authorised share capital of the company 33,864,354,000. The shareholders approved the cancellation at the Annual General Meeting held on 31 August 2023. The cancellation of the shares was approved by the Corporate Affairs Commission (CAC).

	31 December 2023 N'000	31 December 2022 N'000
(b) <i>Issued and fully paid</i>		
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 2023 N'000	31 December 2022 N'000
Profit attributable to ordinary equity holders of the Company	69,454,750	101,010,626
Weighted average number of ordinary shares in issue	33,864,354	33,864,354
Basic earnings per share (Naira)	2.05	2.98

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 2023 Number	31 December 2022 Number
Management	19	17
Production	782	748
Administration	456	404
	1,257	1,169

(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 2023 Number	31 December 2022 Number
N100,000 - N500,000	-	8
N500,001 - N1,000,000	16	20
N1,000,001 - N2,000,000	346	397
N2,000,001 - N3,000,000	205	226
N3,000,001 - N4,000,000	205	231
N4,000,001 - N5,000,000	139	109
N5,000,001 - N10,000,000	267	131
N10,000,001 - N15,000,000	41	28
N15,000,001 - N20,000,000	17	2
Above	21	17
	1,257	1,169

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2023 N'000	31 December 2022 N'000
Emoluments paid to the Directors of the Company	435,979	318,033
Amount paid to the highest paid Director	135,953	125,298

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 2023	31 December 2022
N1,000,000 - N5,000,000	1	-
N15,000,001 - N45,000,000	7	7
N80,000,001 - N110,000,000	1	1
	9	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 2023 N'000	31 December 2022 N'000
Salaries and other short-term employee benefits	795,578	439,590
Pension costs	62,361	18,700
	857,939	458,290

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 2023, there was no management and technical services charged (2022: NO.63 billion).

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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

Amounts due from related parties represents advance payments for goods/services expected from related parties.

The outstanding balance of N51.1 billion (2022: Nil) that is due to related parties relates to LCs opened on behalf of BUA Cement Plc.

		31 December 2023 N'000	31 December 2022 N'000
i	Due from related parties		
	Relationship		
	BUA International Limited	Sister company -	11,996,667
	PW Nigeria Limited	Sister company 3,304,738	4,550,925
		<u>3,304,738</u>	<u>16,547,592</u>
		31 December 2023 N'000	31 December 2022 N'000
ii	Due to related parties		
	Relationship		
	BUA International Limited	Sister company 51,118,269	-
		<u>51,118,269</u>	<u>-</u>

(c) Impairment of receivables from related parties

There was no impairment charged on amount due from related parties (2022: nil).

	31 December 2023 N'000	31 December 2022 N'000
The net carrying amount of receivables from related parties is shown below		
Gross carrying amount – due from related parties (Note 30aiii)	<u>3,304,738</u>	<u>16,547,592</u>
	<u>3,304,738</u>	<u>16,547,592</u>

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

	31 December 2023 N'000	31 December 2022 N'000
Movement in due from related parties	<u>13,242,854</u>	<u>(11,771,397)</u>
	<u>13,242,854</u>	<u>(11,771,397)</u>

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

30 Related party transactions and balances (continued)

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

	31 December 2023 N'000	31 December 2022 N'000
Movement in due to related parties	(51,118,269)	(1,477,927)
*Effect of interest on funding from related party (Note 12)	-	(185,341)
	<u>(51,118,269)</u>	<u>(1,663,268)</u>

*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 2023 (2022: Nil). The summary of pending litigations are listed below:

- (i) The Company is a nominal party in suit number B/75os/2023 filed by Chief Charles Adogah (SAN) seeking for the interpretation of customary law regulating succession to the traditional Title of Okuokpellagbe of Okpella. There is no financial claim in the lawsuit.
- (ii) The Company is a nominal party in suit number B/225/2020 filed by Citizen Emmanuel Kolawole Okhakhu and Prof. Omaze Anthony Afemikhe claiming against the composition of the community committee and seeking for perpetual injunction restraining the 2nd to 4th defendant from holding themselves out as representatives of Okpella and perpetual injunction restraining the 5th defendant (BUA Cement Plc) from paying to the 1st, 2nd, 3rd and 4th defendant on behalf of the host community Okpella the agreed sum of ₦200,000,000 for the year 2019/2020. The outcome is likely to be favourable.
- (iii) The Company is a nominal party in suit number HIG/33/2022 now HIG/45/2022 filed by Chief Orifa Oloke Asewele vs. Chief Iddu Oremeh Osese & BUA Cement Company. The Claimants are seeking an order to restrain the Company from dealing with the 1st defendant. The outcome will not have a negative effect on the Company.

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Notes to the financial statements

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 2023 N'000	31 December 2022 N'000
Purchase of delivery truck	-	10,028,280
Payment for off-road dump truck	-	377,720
70MV Power Plant for line 3	1,102,423	19,297,574
Completion of Line 2 packer 5 & 6	81,249	-
Construction of Mosque at Line 4	12,000	-
Construction of 4000cum tank foundation, retaining walls etc for line 3	22,371	-
Construction of Admin Block and Electrification	184,818	-
Construction of 2 Fire Truck Building	22,836	-
Cables required for Power connection	26,606	-
Drilling and Installation of Motorized Borehole for CBMI Operational Dormitory	14,349	-
Electrical installations for 70MW power plant	1,016,158	-
Construction of 4000cum fuel tank for line 3	71,365	-
Construction of heavy duty concrete road to service line 3	202,591	-
	<u>2,756,766</u>	<u>29,703,574</u>

(b) Guarantees

The Company had guarantee of N6 million with Keystone Bank Limited as at 31 December 2023 (2022: N100 million) with maturity date of 31 December 2024.

(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 2023 and on its profit or loss and other comprehensive income for the year.

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Other national disclosures

BUA Cement Plc

Annual report and financial statements

For the year ended 31 December 2023

Statement of value added

	Note	31 December 2023 N'000	%	31 December 2022 N'000	%
Revenue	5	459,998,999		360,989,105	
Other income	11	2,062,130		2,785,855	
		462,061,129		363,774,960	
Less: Bought in materials and services: Local and imported		(352,552,514)		(204,233,730)	
Value added		109,508,615	100	159,541,230	100
Applies as follows:					
To pay employees:					
Staff cost	9	10,762,424	10	8,607,559	6
To pay providers of funds:					
Net finance cost	12	7,054,765	6	8,611,912	5
To pay government:					
Income tax charge	13a	(2,226,574)	(2)	19,143,424	12
To provide for enhancement of assets and growth:					
Depreciation	6, 7 & 8	24,986,201	23	22,135,220	14
To augment reserve		68,931,799	63	101,043,115	63
		109,508,615	100	159,541,230	100

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

BUA Cement Plc
Annual report and financial statements
For the year ended 31 December 2023
Five-year financial summary

	BUA Cement Plc				
	31 December 2023 N'000	31 December 2022 N'000	31 December 2021 N'000	31 December 2020 N'000	31 December 2019 N'000
Assets employed					
Non-current assets	816,440,179	676,241,399	584,308,003	527,668,305	408,405,566
Current assets	399,246,198	197,770,485	144,199,470	238,634,273	62,161,029
Current liabilities	(377,037,627)	(257,561,156)	(145,355,119)	(208,100,189)	(96,461,863)
Non-current liabilities	(453,424,600)	(205,338,186)	(185,035,606)	(182,247,661)	(10,407,490)
Net assets	385,224,150	411,112,542	398,116,748	375,954,728	363,697,242
Capital employed					
Ordinary share capital	16,932,177	16,932,177	16,932,177	16,932,177	16,932,177
Other reserves	(1,230,819)	(707,868)	(740,357)	(897,136)	(72,902)
Retained earnings	169,518,613	194,884,054	181,920,749	159,915,508	146,833,788
Reorganisation reserve	200,004,179	200,004,179	200,004,179	200,004,179	200,004,179
Total equity	385,224,150	411,112,542	398,116,748	375,954,728	363,697,242
	BUA Cement Plc				
	31 December 2023 N'000	31 December 2022 N'000	31 December 2021 N'000	31 December 2020 N'000	31 December 2019 N'000
Revenue from contract with customers	459,998,999	360,989,105	257,327,091	209,443,487	175,518,326
Profit before tax	67,228,176	120,154,049	102,873,325	78,873,498	66,224,501
Income tax credit/(expense)	2,226,574	(19,143,424)	(12,794,314)	(6,529,162)	(5,614,216)
Profit for the year	69,454,750	101,010,625	90,079,011	72,344,336	60,610,285
Total comprehensive income	68,931,799	101,043,114	90,235,790	71,520,102	60,342,457
Earnings per share (Naira)	2.05	2.98	2.66	2.14	1.79
Net assets per share (Naira)	22.75	24.28	23.51	22.20	21.48

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.