

2019 Annual Report & Accounts



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VISION

Our vision is to be one of the world's leading integrated sugar producers, respected for the quality of our products and the way we conduct our business

MISSION

To deliver consistently good returns to our shareholders by selling high-quality products at affordable prices, backed by excellent customer service

OUR VALUES

- Customer Service
- Entrepreneurship
- Excellence
- Leadership

OUR DESIRED OUTCOME

To consolidate our leadership position locally and become a leading integrated sugar company in Africa, with world class standards



To deliver consistently, good returns to our shareholders by selling high-quality products at affordable prices, backed by excellent customer service



To satisfy market demand by producing the very best refined granulated sugar using exceptional resources and processes that comply with international standards and industry best practices



To help Nigeria towards self-sufficiency in sugar production by moving from importation and refining to creating new plantations with their own refining facilities, close to major centres of demand, with a target to produce 1.5 - 2.0 million tonnes of refined sugar annually, by 2024 from over 150,000 hectares of locally grown sugar cane



To provide economic benefits to local communities by way of direct and indirect employment



To set a good example in areas such as governance, sustainability, health and safety



Directors, Officers and Professional Advisers

BOARD OF DIRECTORS

| | | |
|-----------------------------|---|------------------------------------|
| Aliko Dangote, GCON | - | Chairman |
| Mr. Ravindra Singh Singhvi | - | Ag. Managing Director |
| Alhaji Sani Dangote | - | Non-Executive Director |
| Mr. Olakunle Alake | - | Non-Executive Director |
| Alhaji Abdu Dantata | - | Non-Executive Director |
| Ms. Bennedikter Molokwu | - | Non-Executive Director |
| Prof. Konyinsola Ajayi, SAN | - | Non-Executive Director |
| Mr. Uzoma Nwankwo | - | Non-Executive Director |
| Ms. Maryam Bashir | - | Independent Non-Executive Director |

COMPANY SECRETARY/LEGAL ADVISER

Temitope Hassan (Mrs.)

AUDITORS

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

BANKERS

- Access Bank Plc.
- Ecobank Nigeria Plc.
- Fidelity Bank Plc.
- First Bank of Nigeria Plc.
- First City Monument Bank Plc.
- FSDH Merchant Bank
- GTBank Plc.
- Jaiz Bank Plc.
- StanbicBTC Bank Plc
- Standard Chartered Bank Nigeria Ltd
- Sterling Bank Plc
- UBA Plc.
- Union Bank Nigeria Plc
- Unity Bank Plc
- Zenith Bank Plc.

CAPITAL MARKET INFORMATION

| | |
|-------------------------------|----------------|
| NSE TICKER SYMBOL | DANSUG |
| DATE LISTED | 8TH MARCH 2007 |
| FINANCIAL CALENDAR (YEAR END) | December 31 |

AUTHORIZED/PAID UP SHARE CAPITAL

12,000,000,000 Ordinary Shares of 50k each

SHAREHOLDER INFORMATION

| | |
|-----------------------|------------------|
| RC Number | 613748 |
| Date of Incorporation | 4th January 2005 |

REGISTERED OFFICE

3rd Floor, GDNL Building
Terminal E, Shed 20
NPA Wharf Port Complex
Apapa
Lagos

FACTORY

Shed 20 Apapa Wharf
Apapa
Lagos

SUBSIDIARIES

- **Savannah Sugar Company Limited**
Km 81, Yola – Gombe Road,
Numan, Adamawa State
- **Nasarawa Sugar Company Limited**
1, Anguwan Kaura, Tunga Central Chiefdom,
Tunga, Awe Local Government Council,
Nasarawa State.
- **Dangote Taraba Sugar Limited**
LAU/TAU PROJECTS
C/o Dangote Sugar Refinery Plc
Shed 20 Apapa Wharf Complex,
Apapa Wharf
Lagos
- **Dangote Adamawa Sugar Limited**
Yola – Gombe Road,
Numan, Adamawa State
- **Dangote Niger Sugar Limited**
Lavun Area,
Niger State

REGISTRAR AND TRANSFER OFFICE:**VERITAS REGISTRARS LIMITED**

PLOT 89A, Ajose Adeogun Street, Victoria Island, Lagos.
Telephone: (01) 27089304, 2784167-8; Fax: (01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

INVESTOR RELATIONS CONTACT

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ir@dangotesugar.com.ng
shareholderrelations@dangotesugar.com.ng

CORPORATE COMMUNICATIONS CONTACT

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+234 8150983259
Ngozi.Ngene@dangote.com
srefinery@dangote.com
dangotesugar@dangotesugar.com.ng

| | Group 2019 ₦'000 | Group 2018 ₦'000 | Company 2019 ₦'000 | Company 2018 ₦'000 |
|---------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Turnover | 161,085,778 | 150,373,083 | 158,104,577 | 146,549,176 |
| Profit Before Taxation | 29,820,430 | 34,601,057 | 34,829,243 | 38,455,530 |
| Taxation | (7,459,154) | (12,624,589) | (10,726,425) | (12,624,589) |
| Profit After Taxation | 22,361,276 | 21,976,468 | 24,102,818 | 25,830,941 |
| Dividend Paid | (13,200,000) | (15,000,000) | (13,200,000) | (15,000,000) |
| Share Capital | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Shareholders' Fund Per | | | | |
| 50 Kobo Share Data (Kobo) | 904.83 | 827.76 | 984.02 | 893.17 |
| Earnings Per Share (kobo) | 187 | 185 | 201 | 215 |

Proposed Dividend

The Directors recommend for approval of the shareholders at the Annual General Meeting, a dividend of ₦1.10 kobo for every ordinary share of 50 kobo each held in the company; for the year ended December 31, 2019. If approved the total cash dividend payable for the year ended December 31, 2019 will be ₦13.2 billion.

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of DANGOTE SUGAR REFINERY PLC will be held at The Eko Hotel & Suites, Victoria Island, Plot 1415, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, July 9th 2020, at 11a.m prompt to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements for the year ended December 31, 2019, the Reports of the Directors, Auditors and Statutory Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To authorise the Directors of the Company to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

Dated this 9th day of June 2020

BY ORDER OF THE BOARD



**TEMITOPE HASSAN
COMPANY SECRETARY
FRC/2017/NBA/00000016669**

NOTES:

Proxy

Only members (shareholders) of the Company entitled to attend and vote at the Annual General Meeting can appoint proxies to vote in their stead.

In the interest of public safety, and having regard to the Nigerian Centre for Disease Control (NCDC) COVID-19 Guidance for Safe Mass Gatherings in Nigeria, the guidelines of the Corporate Affairs Commission (CAC) on holding Annual General Meetings and the restrictions on public gatherings by the Lagos State Government, Dangote Sugar Refinery Plc. will conduct its 14th Annual General Meeting by proxy only and

limited to the maximum number of persons allowed in a gathering.

Approval of the Corporate Affairs Commission

The approval of the Corporate Affairs Commission (CAC) was sought and obtained to hold the AGM in line with the guidelines on holding of AGMs of public companies using proxies.

Nominated Proxies

Accordingly, members entitled to vote are requested to appoint a proxy of their choice from the list of nominated proxies below to represent them at the Meeting: (A blank Proxy Form is attached to the Annual Report)

- (i) Aliko Dangote, GCON
- (ii) Mr. Olakunle Alake
- (iii) Ms. Bennedikter Molokwu
- (iv) Sir Sunny Nwosu
- (v) Mr. Nornah Awoh
- (vi) Mrs. Bisi Bakare
- (vii) Dr. Farouk Umar

Each member is to appoint a proxy by ticking the relevant box in the Proxy Form attached hereto to indicate how his/her vote is to be cast for each proposed resolution on the agenda. The duly executed Proxy Form should be deposited at the office of the Company's Registrars, Veritas Registrars Limited, Plot 89A, Ajose Adeogun street, Victoria Island, Lagos as shown on the Proxy Form, or sent to the Registrars by email to veritasregistrars@veritasregistrars.com not later than 48 hours before the time appointed for the Meeting.

The Company has made arrangements at its cost, for the stamping of the duly completed and signed proxy forms submitted to the Company's Registrars within the stipulated time.

Viewing of the Proceedings of the Meeting

The Meeting will be streamed live online to enable shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the live streaming of the Meeting will be made available on the Company's website at www.dangotesugar.com.ng

Closure of Register

The Register of members will be closed from on June 22, 2020 for the purpose of updating the Register of Members and for the Registrars to prepare for payment of dividend.

Dividend

If the dividend recommended by the Directors is approved by members at the Annual General Meeting, the dividend will be credited within 48 hours of the meeting to mandated accounts of members so entitled whose names appear in the Register of Members as at the close of business on June 19, 2020.

Shareholders who have not already done so are please requested to furnish the Registrars with the details of their bank accounts to enable direct crediting of dividend warrants into the shareholder's bank account. A detachable application form for e-Dividend is attached to the Annual Report for use and the service is available to all shareholders free of charge.

Unclaimed Share Certificates and Dividend Warrants

All shareholders are hereby informed that the Registrars of the Company are holding Share Certificates and Dividend Warrants which have been returned by the Post Office as 'unclaimed'. Some Dividend Warrants sent to shareholders registered addresses are yet to be presented for payment or returned to the Registrars for validation.

A schedule of the members who are yet to claim their dividends will be circulated to shareholders along with the Annual Report & Financial Statements.

Statutory Audit Committee

In accordance with Section 359 (5) of the Companies & Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, any shareholder may nominate a shareholder for appointment to the Audit Committee. Such nomination should be in writing and reach the Company Secretary not later than 21 days before the Annual General Meeting.

The Code of Corporate Governance issued by the Securities and Exchange Commission stipulates that members of Audit Committee should have basic financial literacy and should be able to read financial statement. Thus, a detailed Curriculum Vitae confirming the nominee's qualification should be submitted with each nomination.

Re-election and Election of Directors

In accordance with Article 62(b) & (c) of the Company's Articles of Association, the Directors retiring by rotation are Prof. Konyinsola Ajayi, SAN, Mr. Olakunle Alake and Ms. Maryam Bashir, and being eligible, offer themselves for re-election.

The appointment of Mr. Ravindra Singhvi as Director will also be presented to shareholders for approval.

The profile of all Directors is provided in the Annual report and the Company's website.

Rights of Securities Holders to Ask Questions

Shareholders and other holders of the Company's securities reserve the right to ask questions not only at the meeting, but also in writing prior to the meeting, and such questions should be submitted to the Company not later than seven (7) days to the date of the meeting.

E-Report

Shareholders who wish to receive only the electronic version of the Company's Annual Report are please requested to complete the detachable Form inserted in the Annual Report and return same to the Registrars.

The Company's Annual reports are available online for viewing and downloading from our website at www.dangotesugar.com.ng or the Registrars' website at www.veritasregistrars.com



DANGOTE SUGAR

Guaranteed Sweetness



CHAIRMAN'S STATEMENT



Aliko Dangote, GCON
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders, Members of the Board of Directors, Invited guests, Gentlemen and Ladies of the Press, Ladies and Gentlemen; I welcome you all to the 14th Annual General Meeting of our Company, Dangote Sugar Refinery Plc.

I shall present to you the Annual Report and Financial Statements as well as the activities in the business environment that impacted the performance for the year ended 31st December 2019.

OPERATING ENVIRONMENT/PROJECTIONS

During the year under review, the global and local economy maintained a slow but steady growth despite key economic and political events that occurred, e.g the Brexit, Nigeria's general elections and other policies implemented globally and locally to bolster economic growth. The successful re-election of President Muhammadu Buhari, saw to the continued implementation of the administration's fiscal and monetary economic policies which led to the sustained but modest economic growth rate we witnessed in 2019.

These policies, with a stabilized exchange rate regime, though high, slowed down the pace of inflation during the year. Though there were reservations from some quarters; the closure of our land borders in August 2019, helped keep the menace of smugglers in the sugar sector in check for the rest of the year.

Consumer spending remained on a very tight rope owing to the persistent liquidity squeeze and downward trend on foreign investments, which led to the reduced supply of forex. The CBN however, intervened in the foreign exchange market with close monitoring of the activities in the Financial sector.

Crude oil price (Brent) declined to an average of \$64.34 per barrel. The weakening oil prices impacted the general economy, but the Governments continued drive to diversify the economy from reliance on crude oil yielded results. The non-oil sector contributed 1.87% to the national GDP growth rate of 2.27% improvement recorded in 2019. The finance bill

was also passed during the year to reform the tax laws in alignment with global best practices, address government's tax-revenue, saw the increase of VAT rate from 5% to 7.5%.

Generally, the economy recorded slight improvements during the year under review, and it was hoped that 2020 will progress further, which became bleak due to the impact of the COVID 19 pandemic.

PERFORMANCE

Despite the challenging business environment and the intense competition witnessed by the industry, the company posted a Group turnover of ₦161.1 billion, a 7.1% increase over ₦150.4 billion in 2018. A PBT (Profit Before Tax) of ₦29.8 billion, a Profit After Tax of ₦22.4 billion. Earnings per share increased to ₦1.87kobo against ₦1.85kobo, a 1.1% increase over 2018. EBITDA decreased to ₦35.6 billion, with EBITDA margin of 22.1% a 5.4% decrease compared to the ₦37.6 billion with EBITDA margin of 25% achieved in 2018.

The above performance was achieved despite the menace of smuggled sugar that found its way into key markets nationwide, for the greater part of the year before the land borders were closed; and the continued gridlock at Apapa which led to the difficulty experienced in evacuating finished products from the refinery, during the year.

Despite these challenges, the Board and Management remains confident that the strategic initiatives being implemented in our refinery operations and commitment to the achievement of the Backward Integration goals will deliver sustained growth to the business.

DIVIDENDS

The Board is pleased to recommend for the Shareholders approval payment of a total dividend of ₦13.2 billion, being ₦1.10kobo per ordinary share of fifty (50) kobo each, held in the company as at December 31st 2019. If approved at the Annual General meeting, the dividend will be to the shareholders in the register of members at the close of business on June 19th 2020, net withholding tax at the standard rate.

We continue to encourage all shareholders to embrace the e-dividend option for the prompt payment of their dividends.

THE BACKWARD INTEGRATION PROJECTS

Dangote Sugar Refinery (DSR) continued the implementation of the "Dangote Sugar for Nigeria" Master plan to ensure the achievement of the strategic goal to produce 1.5million metric tonnes of refined granulated white sugar locally every year. Our main focus remained to resolve the lingering community relations issues over land we have acquired for this projects.

These challenges led to the delays in keeping to the project timelines and despite the concerted efforts and huge investments being made towards the actualization of the project goals at Savannah Sugar Company Limited, Nasarawa Sugar Company Limited and the Lau/Tau Sugar Projects, Taraba State.

Rehabilitation and expansion of the Savannah Sugar estate continued, with the development of the expansion projects for the 12,000 TCD factory. Unfortunately, delivery of the expansion project within the timelines is being delayed by the incessant community disturbances, and sometimes attack on our workers. We have however, continued to engage the communities and state government to resolve these issues. The factory upgrade to 6,000TCD is nearer completion, and hopefully following the gradual easing of the COVID 19 lockdown delivery of some of the equipment delayed will be made and the project would be completed this year as scheduled.

Development of the Nasarawa Sugar Company Limited, project at Tunga is well underway. Preliminary surveys on the land and water surveys have completed, while the some of the irrigation systems that will be used at the project have been installed and installation of others are ongoing. Planting of the 600ha B nursery is underway in preparation for the commercial planting of 6000ha in 2022. Unfortunately, the situation at Lau/Tau remained the same over the alleged claims of unpaid compensation by some of the communities. The committee set up by

the state government to review the issue have since submitted its report, but no action has been taken on their submission. We were however forced to stop work at the site till date.

This and several other communities related issues hampering access to land at the projects sites led to a 2-day working visit by the Honourable Minister of Industry, Trade & Investment to the various Sugar project sites on the 12th and 13th of December 2019. The visit was a very welcome development because it gave the Honourable Minister an opportunity to see and access the quantum of development, investments and progress recorded at these projects.

The BIP targets were revised for the 3 major refiners in the country. DSR's was revised to 550,000 metric tonnes achievable by 2024. We have submitted the revised plan for the achievement of these targets. The Ministry is also reviewing the efforts made so far towards the resolving these community relation issues to support the projects. We are hopeful that these efforts will yield the expected outcomes and our commitment to the achievement of the Dangote Sugar Master Plan will be realized.

SUSTAINABILITY

At Dangote Group, our approach to sustainability remains making very positive impact in the communities we operate and the society at large. This is in line with the global sustainability principles and regulations which now mandates businesses to look at performance from the triple bottom line (3Ps) perspective of **PEOPLE, PLANET & PROFIT.**

In 2019, DSR remained conscious of the environmental, social and governance obligations of our operations, and deployed a conscious effort to identify the challenges faced by communities in which we operate through stakeholder engagements and consultations. As such, the Dangote Group's 7 Sustainability Pillars which are Institutional, Cultural, Operational, Environmental, Economic, Social and Financial have been entrenched in our business operations, in line with the Principles of the United Nations Global Compact.

Against this backdrop, our Corporate Social Responsibility initiatives at DSR, during in 2019 were focused on promoting quality education, provision of infrastructure, clean source of water, free medical care and support for various causes not only in our immediate communities but across the Country. This led to the various CSR projects executed across communities at DSR; Savannah and Nasarawa Sugar communities. School projects were executed to make the environment conducive for pupils. We have introduced a robust scholarship schemes for the communities at our Nasarawa Sugar project site, as well as renovation of schools, healthcare centers, roads, and the provision of portable water with solar powered boreholes.

More of these community improvement projects are ongoing both at Savannah and Nasarawa sugar companies which will be completed in the current business year.

Employee involvement and volunteerism is also encouraged. During the annual Dangote Group Sustainability Week, our employee came out in large numbers to support local communities with their time, skills, and other resources. At the BIP sites we continued to deploy the outgrower scheme as planned. The Savannah Sugar 'Out-growers Scheme' continued to receive the needed support during the year, and have grown to over 420 outgrowers in the scheme till date.

BOARD OF DIRECTORS

During the review period, there were no changes in the structure and composition of the Board. The Directors retiring by rotation, being eligible will offer themselves for re-election in the course of this Annual General meeting.

THE FUTURE

Looking to the future with positive vistas, the unprecedented situation of the coronavirus (Covid-19) outbreak has put the world in a crisis and poses a significant threat to the global economy. With growing concerns over travel restrictions, slowed economic and industrial activities, as well as losses that have already been recorded all over the world. There are glimmers of hope as the corona virus pandemic is being contained and governments are implementing economic policies and actions, which will support growth for businesses in the real sector; despite the perceived threats to economic growth this year.

The Board remains positive about the Company's future. We are resolute and committed to the achievement of the Sugar for Nigeria Project plans.

Ladies and Gentlemen, in conclusion, I thank our distinguished shareholders for their unwavering support and commitment over the past years. I also thank our customers and other business partners for their partnership over the years.

I also thank my distinguished Board members, our Management and employees for their unrelenting dedication and commitment to the achievement of the Company's shared goals.

Thank you and God bless you all.



Aliko Dangote, GCON
Chairman

Sugar is a high profile commodity both politically and in terms of trade in many of the world's key producing regions. Its production (whether from cane or beet) is also highly capital intensive, requiring large scale operations to be competitive.

Sugar, used as a sweetener in food and beverages, is a sweet crystalline substance acquired from various plants, such as sugar cane and sugar beet. It is said that sugar had first been used in the Polynesian Islands more than five thousand years ago. Early Polynesians discovered that sugar cane held a sweet-tasting liquid and could be used in preparing food. Sugar cane then became widespread due to trade, invasions and conquests. In 1493, Christopher Columbus brought sugar cane to the Caribbean and the crop thrived in the fertile environment.

World sugar production, consumption and trade are dominated by a few influential producing countries. The seven producers (**Australia, Brazil, Canada, the EU, India, Thailand and the USA**) contribute to over half of global production. Brazil and Thailand account for about half of cross border trade.

The global sugar market reached a volume of 187.9 Million Tonnes in 2018. The market is further projected to reach 199.6 Million Tonnes by 2024, expanding at a CAGR of nearly 1% during 2019-2024.

SUGAR TRADE

Sugar is a primary product used in a variety of different industries, as such it is widely traded internationally. World sugar trade averages about 64 million tonnes annually. Raw sugar accounts for around 60% of internationally traded volumes. Although many countries produce sugar, top five exporters (**Brazil, Thailand, EU, Australia, India**) were responsible on average for nearly 70% of the world trade. Brazil, as the largest producing and exporting country in the world, dominates world trade, accounting for about 45% of global exports.

Like many other commodities, sugar is traded using futures contracts. These are agreements to buy or sell a certain amount of sugar at an agreed price on a date in the future. The two benchmark sugar contracts are the Sugar No. 11 contract, for raw (semi-refined) sugar, and the Sugar No. 5 contract, for refined 'white' sugar.



GLOBAL SUGAR MARKET DRIVERS

- As compared to its substitutes, sugar is more economical, easily available and consumed across all socio-economic age groups.
- The global food and beverage sector is a major driver of sugar consumption and is expected to create a positive impact on the sugar industry. The market growth is anticipated to continue in the long term.
- Sugar finds numerous applications in the pharmaceutical and skincare industry. In the pharmaceutical sector, it is included in the preparation of antibiotics and cough syrups. On the other hand, in the skincare sector, sugar is used in the manufacturing of scrubs owing to its exfoliating properties.
- Although the sugar market remains saturated in developed economies, such as North America and Western Europe, it is showing a promising growth in the emerging regions. Driven by rising disposable incomes,

urbanisation and changing food habits, the demand for sugar-based products in developing markets, such as India, China and Middle East, is showing a strong growth.

- Majority of the global sugar production comes from sugarcane, whereas the remaining comes from sugar beet. Raw materials for sugar are available across the globe with nearly all tropical and subtropical regions accounting for their cultivation.

Most global producers – particularly Brazil, Thailand and India have responded to these conditions by developing a substantial mix of policies and subsidies to support domestic production. Collectively, these support policies have a profound distortionary effect on the world sugar market.



SUGAR PRODUCTION

Over 100 countries around the world produce a total of 180 million tonnes of sugar annually, of which around one-third is sold internationally. Brazil is the largest producer and exporter, with around 55-60% of world raw sugar exports.

Sugarcane, on average, accounts for nearly 80% of global sugar production. Sugar crops offer production alternatives to food, such as livestock feed, fiber and energy, particularly biofuels (sugar-based ethanol) and co-generation of electricity (cane bagasse). Sugarcane is

generally regarded as one of the most significant and efficient sources of biomass for biofuel production.

A wide range of environmental and social issues relate to sugar production and processing, and sugar crop growers, processors, plus energy and food companies, are seeking ways to address concerns related to sugar production, biofuels and sustainability.

The 3 influential sugar producing countries and key facts



BRAZIL

Brazil is the single most important player and price setter on the world sugar market, accounting for one-fifth of global production and over 40% of its exports. It produces 40.0 million tonnes annually, 1/5 of global production. Its domestic consumption is 11.2 million tonnes annually.

THAILAND

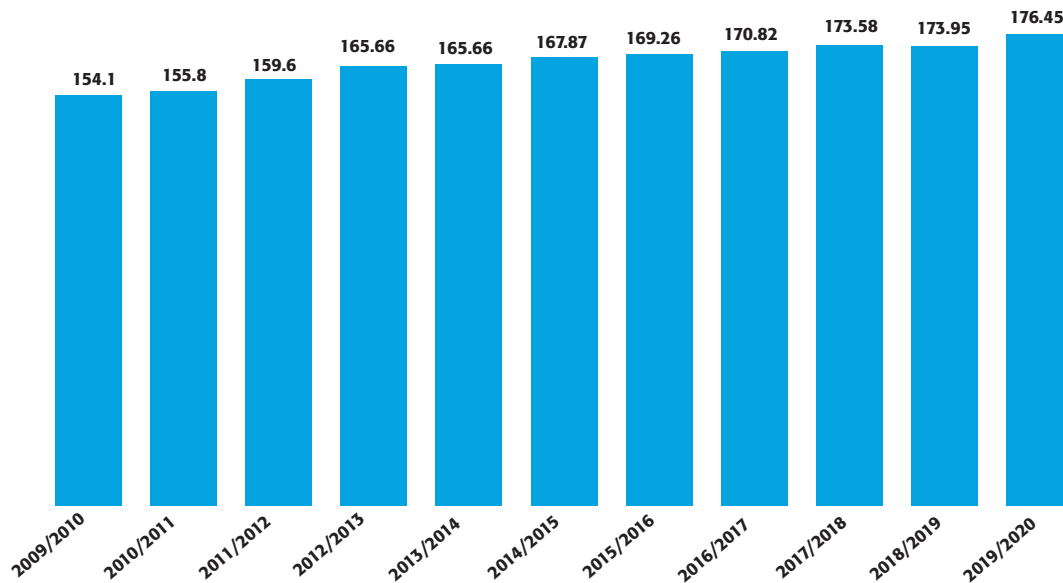
Thai sugar production and exports have greatly expanded in recent years and Thailand is currently the world's second largest sugar exporter after Brazil. This expansion has been driven by substantial government subsidy and protection for the industry for many years. Produces 14.7 million tonnes annually, with an annual domestic consumption of 3.3 million tonnes annually.

INDIA

India is the world's largest domestic sugar consumer with a domestic consumption of 25.5 million tonnes annually out of its 31.1 million tonnes production. India oscillates between being a net importer and exporter depending on prevailing sugar policy and subsidy arrangements, as well as crop output.

SUGAR CONSUMPTION

Global consumption of sugar amounted to 173.95 million metric tonnes in 2018/2019 and is projected to increase to about 176.45 million metric tonnes by 2019/2020. With the increase in world trade, better agricultural technology, among other reasons. Global consumption is projected to grow at 2.2% a year to reach nearly 201 million tonnes in 2021, dependent on economic growth.



www.statista.com

The global food and beverage industry is relatively immune to downturns caused by economic fluctuations. Currently, the food and beverage sector is a major driver of sugar consumption and is expected to create a positive impact on the sugar industry. As a result, the sector has witnessed a constant growth over the past few years.

Developing countries account for 77% of global sugar consumption and are expected to be the primary sources of future demand growth, particularly in Asia. Global consumption continues to expand, averaging 1.83% over the past 10 years driven largely by population growth, rising incomes and shifting dietary patterns. Major sugar consuming markets

include India, the EU, China, Brazil, the US, Indonesia, Russia, Pakistan, Mexico and Egypt.

The most important drivers of sugar consumption are:-

- Population growth,
- Per capita income,
- Domestic prices for sugar and sugar-containing products,
- The availability of alternative sweeteners and their prices,
- Changes in dietary habits (diet globalization), and recently
- Health concern debates.



RETAIL PACK

AFRICAN SUGAR INDUSTRY

Africa grows only about 5% of the world sugar production. South Africa is the leading producer followed by Sudan, Kenya and Swaziland. In Africa, sugar output is projected to increase by 49% by the end of 2025 as a result of production expansion in Sub-Saharan countries. With its favourable agronomic conditions, Africa has significant potential to contribute towards the production needed to meet this growing demand.

African sugar production is projected to increase by 4% annually to 2025 due to the continued increases in production capacity at both the farms and processing levels. The growth will be driven by strong demand for sugar, Government policies, like the Nigerian Sugar Master Plan, as well as trade opportunities offered under the Economic Partnership Agreements; the Everything but Arms initiative of the European Union.

Also, the African sugar industry also has potential for diversification into biofuels, cogeneration and cooking fuels. Per capita sugar consumption in Africa is historically low and growth prospects are high compared to other regions. High increase in consumption are also projected in several Sub-Saharan countries, both in level and per capita, which will be driven by its over average population growth, continued urbanization, rising income etc. A major sustainability feature for Africa is the abundant resources it has for agricultural production in general, and sugar production, in addition to the average consumption growth rate of 2% per annum.

South Africa and Egypt dominate production on the continent with a combined 4.0 million tonnes, but new production planned by Ethiopia, Nigeria and Sudan is set to further boost production levels in Africa. Africa consumes about 19 million tonnes with Intra-African sugar trade worth about 32% of all African sugar exports and is set to rise further primarily due to increasing local consumption and the impact of the EU sugar reform, which closed a preferred market outlet.

Five African countries are amongst the world leaders in low cost sugar production and several more have the potential to join them. They have not however been able to realise their full potential due to the distortions in the world market for sugar created by global protectionism.

The recent moves to allow “unrestricted” access to the EU markets for African sugar, although at a price lower than the previous quota allocations, is creating a new economic prospect for the industry. This has attracted the UK’s leading beet sugar producer, Associated British Foods, to enter discussions to acquire a major stake in Illovo, in the belief that Africa, in future will play a major role in supplying EU markets.

Experience has shown that successful development and operations requires a close working relationship between private businesses and supportive governments willing to provide a fair and efficient regulatory and marketing environment for the sugar industry – one which allows efficient, “world-class” producers to thrive. Africa’s world class sugar producers are large-scale and capital intensive (a modern sugar factory would cost of the order of US\$100m. The development of irrigated cane land can cost up to US\$10,000/ha). All investors will need confidence in the future if they are to make further substantial investments in land development, irrigation and processing facilities in the region.

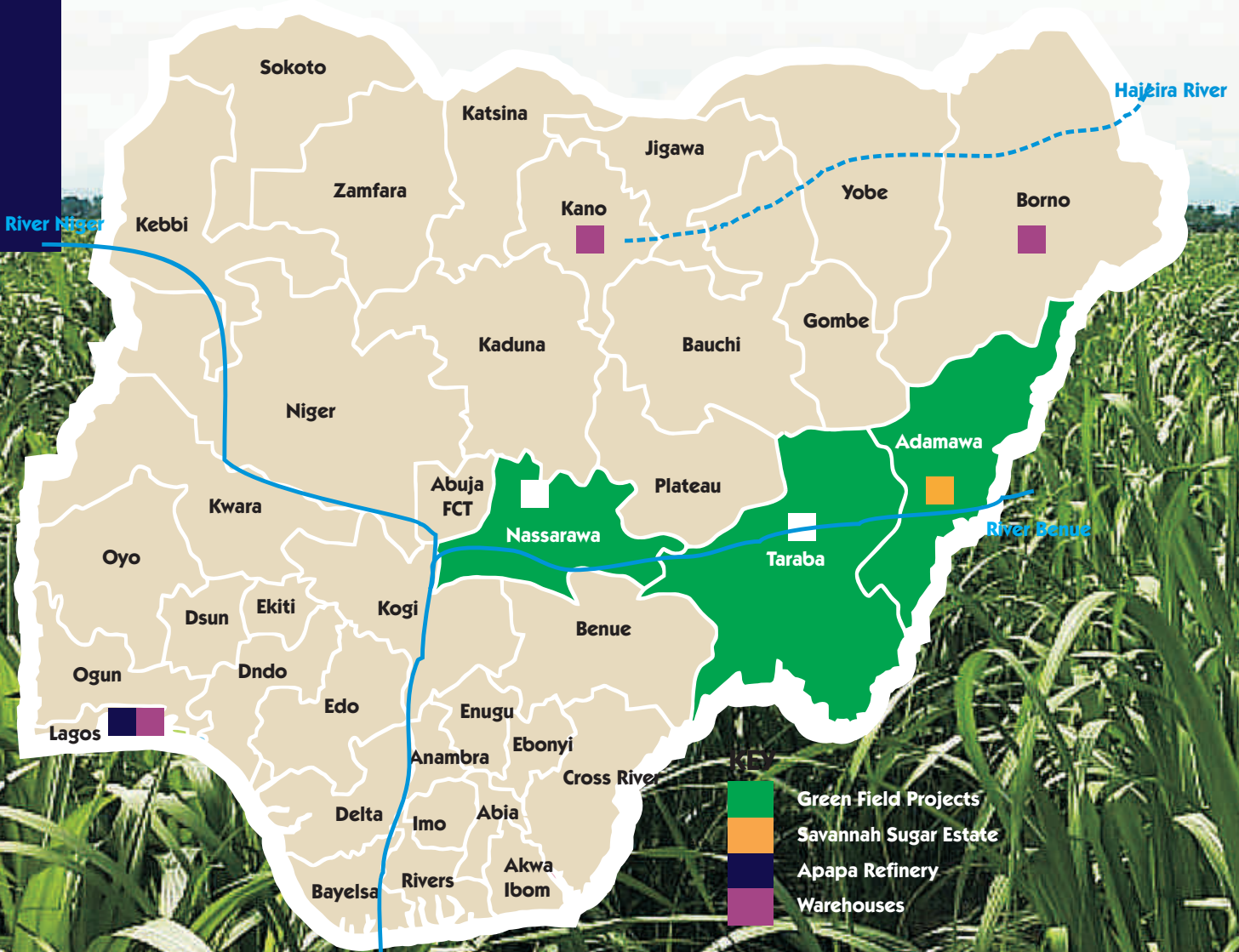
However, the African experience has also demonstrated that smallholders are willing and able to specialize in cane production, whether as out growers or settlers whenever they are offered an attractive market opportunity, i.e. reasonable profit margins combined with relatively low levels of production and marketing risk.

The sugar industry in Africa is one of the key industries which contributes in providing jobs for the growing unemployment as well as instrumental in rural development. This will reduce the high rates of migration from rural to urban areas and many associated problems.

OPERATIONS REVIEW



DANGOTE SUGAR OPERATIONAL LOCATIONS AND BACKWARD INTEGRATION PROJECTS SITES



OVERVIEW

Dangote Sugar commenced business in March 2000 as the sugar division of Dangote Industries Limited. The sugar division was spun-off as Dangote Sugar Refinery Plc via a Scheme of Arrangement in January 2006 which transferred all the assets, liabilities and undertakings attributable to the sugar division of Dangote Industries Limited to Dangote Sugar Refinery. Dangote Sugar Refinery located at Apapa Port Complex was commissioned in 2001.

Our business provides key value-added support services for customers including logistics, supply – chain management, credit and risk advice, sales support and merchandising.

The refining operations are supported by warehouses located strategically across the country with over 700 trucks that deliver the finished products to our distributors, customers and markets nationwide.

Our core competences include: -

- Refining of raw sugar to make high quality Vitamin A fortified and non-fortified granulated white sugar
- Marketing and distribution of our refined sugar grades in 1000kg, 50kg, 1kg, 500g & 250g packages
- Cultivation and milling of sugar cane to finished sugar from our subsidiary, Savannah Sugar Company Limited
- Development of Greenfield projects in line with our “Sugar for Nigeria Project,” strategic plan



DANGOTE SUGAR REFINERY, APAPA LAGOS

Dangote Sugar Refinery is a world class facility of 1.44 million MT/PA located at Shed 20 NPA Apapa Wharf Complex, Apapa, Lagos. The facility, commissioned in year 2000, is the first sugar refinery built in Nigeria, with an initial refining capacity of 600,000MT/PA.

The refinery uses Talo-Phosphitation process for purification and Ion Exchange Resin for decolourisation and has a combined in-house turbo-alternator power generating capacity of 16MW with steam supply to them from high pressure boilers fuelled with natural gas and/or Low-Pour Fuel Oil (LPFO).

Over the years, the facility has undergone two major upgrades which turned it into one of the largest sugar refineries in the world with 1.44 million MTPA refining capacity, at the same location.

The Dangote Sugar refinery produces Vitamin A Fortified and non-fortified refined granulated free flowing crystal white sugar, packaged and distributed, as fortified, in 50kg bags, and 1kg, 500g, 250kg sachets and as non-fortified, in

1000kg, and 50kg sugar bags; sold under the brand name "Dangote Sugar".

Our facility and production processes are operated in line with best practices as well as regulatory and international standards and can accommodate requests for special products and packaging from customers.

Dangote Sugar Refinery is QMS (ISO 9001:2015), FSMS (ISO 22000:2005), OHSMS (ISO 18001:2007) and (FSSC 22000:2013 VERSION 4.1) certified. Currently, preparation is ongoing towards achieving EMS (ISO 14001-2013) Certification. DSR is also SMETA (Sedex Members Ethical Trade Audit) certified and active on SEDEX (Social Ethical Data Exchange) platform.



SALES & DISTRIBUTION

Dangote Sugar is a leading supplier of high quality refined granulated Vitamin A fortified white sugar for direct consumption, and non-fortified sugar for industrial use.

Our sugar brand is a market leader with the largest market share of the Nigerian sugar industry; and are trusted by the various industries we serve. Through our vast network of trade distributors across the country, we reach consumers nationwide, and in the neighbouring countries on the West African coast.

With high volume capacity warehouses at strategic locations across Nigeria; the warehousing locations are part of Dangote Sugar’s strategy to optimize supply chain opportunities by being close to our target markets with very fast and reliable delivery service.

Dangote Sugar Refinery Plc’s goal to sustain and continuously grow its current market share is being actualized by partnering with retailers, sugar cubing companies, private label

packaging, the emerging modern trade segment and small-scale businesses to set the platform for sustainable market expansion.

The Company’s strength is drawn from the Dangote Group’s culture of exceptional performance, and our Sales and Distribution teams are empowered to take ownership of every transaction. They adopt cost effective measures, to ensure seamless operations and efficiency at resolving the inevitable problems that may occur when traffic grid locks, weather, and other road mishaps that threaten timely fulfillment of scheduled commitments to our customers.

We are building competencies within our teams, to provide the needed support to these partners and ensure that the opportunities are maximized to their full potentials. The customers with outstanding performance are appreciated at the Dangote Foods Customer’s Awards/Gala Night, held annually.



DISTRIBUTION

With warehouses strategically located near our key markets nationwide, DSR Fleet is poised to meet the delivery timelines of its customers.

With over 700 trucks in our fleet operations, we are strategically routing our newer trucks for long distances to optimize utilization and improve our delivery services to our customers nationwide. Our trucks are fitted with tracking devices and are tracked end to end by our experienced professionals.

This ensures our customers are always served effectively to ensure availability of our products to the end users. With a professional team that has a minimum of 15 years industry experience; the goal is to sustain our leadership position in the Nigerian sugar sector, by ensuring availability through effective delivery schedules and timelines.

The challenge of Apapa gridlock is being addressed and our maintenance time losses now being managed efficiently with the strategic location of a maintenance workshop at Ogere to cater for all routine preventive maintenance, tyre maintenance and trailer welding operations.



SUPPLY CHAIN

Dangote Sugar has placed Nigeria in the global map of sugar refining and is looking to gain more market share locally through innovative product development, marketing improved efficiency, and value creation for the environment in which we operate.

Our operations is all about sustainably optimizing the raw materials and other resources required in our production processes, which includes sourcing of our raw and packaging materials from various vendors and ensuring that the safety of our product is foremost and critical in everything we do. We are supporting local content and are contributing to the local economies of the places where we operate.

During the year under review, about 20% of our raw materials were locally sourced, raw sugar being our main raw material input. The local input will increase as we gradually increase

production locally through the backward integration projects. As such, over 400 Out growers (local farmers) were empowered during the year under review to improve the quality of their locally grown sugarcane over the years; and we are looking to surpass this in 2020 and beyond.

Significant changes are being introduced in our supply chain management process to assure the Supply Chain integrity of DSR to deliver increasing and superior value year on year. Steps taken include:-

1. Attracting and retaining qualified supply chain management professionals.
2. Fostering and entrenching a collaborative relationship with partners across the value chain to drive innovation.
3. Creating a stretch performance ethic in the supply chain teams.





The Dangote Sugar Refinery Plc, Sugar for Nigeria Project Master Plan goal is to become a global force in sugar production, working within Nigeria's National Sugar Master Plan to end importation, produce 1.5MMT/PA of refined sugar annually from locally grown sugarcane. The target will help Nigeria achieve sugar sufficiency and support export to neighbouring countries.

To achieve this goal, Dangote Sugar Refinery Plc acquired Savannah Sugar Company Limited, in December 2012, and embarked on the ongoing rehabilitation of its facilities and expansion of its sugarcane estate. Located on 32,000 hectares, the Savannah Sugar estate has considerable opportunity for expansion, which will be augmented by acquiring additional sites that are suitable for sugarcane plantation required for the Project.

In view of the various challenges facing the project from land acquisition to lack of skilled manpower amongst others, the "Sugar for Nigeria" Project's strategy was reevaluated in line with the various challenges to a phasal

implementation strategy. This will see to the achievement of 1.08M MT/PA refined sugar in the 6 years, in phase 1, and eventually the target 1.5M MT/PA of refined sugar, from locally grown sugarcane, across various sites in Nigeria over 10 years.

The target is to achieve 1.08MMT/PA from the first phase of the project, covering Rehabilitation and Expansion of Savannah Sugar Company Limited, the greenfield projects at Lau/Tau in Taraba State and Tunga, in Nasarawa State. The Lau/Tau project is still on hold following attack on our workers by the locals over the lingering compensation issue between the communities and Taraba state government.





Savannah Sugar Company Limited (SSCL), a subsidiary of Dangote Sugar Refinery Plc, an existing cane sugar production company located on 32,000 hectares of land in Numan, Adamawa State, Nigeria, with a milling capacity of 50,000 tonnes of sugar per annum.

As part of the DSR sugar backward integration strategy, SSCL is still undergoing rehabilitation and expansion to cultivate more of its land for a robust harvest. The expansion project will increase sugar milling capacity to about 260,000 tonnes of sugar per annum, from sugar cane produced on approximately 25,000 hectares. The project will include the development of an enlarged out-growers scheme and the refurbishment of infrastructure within the estate.

The existing factory has been revamped and its capacity increased from 3000TCD to 3,500 TCD, while the process for the eventual upgrade to 6000TCD is ongoing. A new 12000 TCD factory will also be installed to process the increased cane supply that will be grown at the expansion and supplies by the out growers.

Savannah Sugar currently produces refined granulated Vitamin A fortified white sugar for consumption, from over 6,000 hectares of sugar cane cultivated on its sugarcane fields. Savannah generates 6 megawatts of power from bagasse, for its operations, the sugar estate and the immediate communities.

Savannah Sugar directly employs about 7,000

staff (including permanent, seasonal and non-permanent workers); about 415 people through the out growers' scheme, as well as thousands of people further empowered through the various activities that arose due to the company's operation in the area.



THE OUT GROWER SCHEME

Part of the Dangote Sugar Master Plan's employment generation, empowerment and enterprise drive is the development of a robust out grower scheme for farmers in the communities wherein the Backward Integration Projects are located.

At Savannah Sugar we have worked closely with the Nigerian Sugar Development Council (NSDC) and the local farmers through our established cane grower development programmes, the out growers Scheme to improve their participation and to boost their income.

To ensure the success of this scheme, SSCL currently have 415 out growers under the scheme

and have mapped out about 415 Ha of its land to out growers' local farmers, who farm on these lands and sell the sugarcane to the company. Currently we are about to increase the land to 5,500 hectares through an outreach, Special

Independent Sugarcane Out grower's development Programme, the SIS OGDG and this, which will see the number of farmers under the scheme increase to 5,500 ha by year 2024.

The Special Out Growers under the scheme are provided with the different types of support for a sustainable scheme that impacts the community and company positively

| TYPE OF SUPPORT | DESCRIPTION |
|------------------------|--|
| Recruitment | 415 Numbers of Out Growers society each with 20 farmers among the communities are to be recruited out of Savannah owned land holdings within 30 to 40 Kms distance from SSCL. |
| Seed cane incentives | Free seed cane and free transportation by SSCL and NSDC |
| Training schemes | Weekly in-house training and on the farm training with crop monitoring on the Good Agricultural Crop Management Practices for the targeted productivity of 100 MT per hectare. |
| Access to inputs | Chemical and fertilizers by SSCL on cost basis recoverable from crop proceeds |
| Guaranteed purchases | SSCL guarantees the cane purchase with a minimum support price for the farmer to cover their operational and infrastructure cost while offering a take away profit. This may have to be considered above NSDC pricing formula, to make the proposed scheme viable and attractive to the farmers. |
| Payments | Payments shall be to the farmers account after recovery of all the dues. |
| Land development | Financial support (at current costs) is being proposed towards the bush clearance and land development for the 1 plant + 4 ratoons, [5 years crop]. |
| Financial Support | Crop Working Capital Term loan to be provided at cheaper finance @7% [either from NSDC or through financial institutions or by SSCL]. |
| Technical assistance | All through the crop cycle, free training and Agric Extension service to be offered to the farmers. |



The Nasarawa Sugar Company Limited, is the registered subsidiary of Dangote Sugar Refinery Plc. The 78,000 hectares Sugar Project Site is located at Tunga, Awe Local Government Area, of Nasarawa State.

The Memorandum of Understanding was signed in June 2017, and the compensation for the land in the sum of N3.25 billion fully paid to the State Government for settlement of the land and economic trees owners.

The project is located along the Benue River. Activities ongoing at the project site include the establishment of the cane seed nursery, housing

and other basic infrastructure for the project. The total area developed in 2019 was 600 HA, while 10,000 HA is targeted for 2020.

The project employs about 325 staff, 175 permanent staff and 150 casuals for the land development. The staff strength will increase further in line with the requirements for the project development.

The various social responsibility projects lined up for execution in the immediate communities in Tunga are ongoing, while some were completed during the year under review.



With over 25,000 beneficiaries in the immediate communities, 10 solar powered boreholes were commissioned; and renovation of Government Secondary School, Tunga was completed in 2019. Renovation of the Health care, immunization and staff quarters are ongoing and will be completed in the current year.

In addition, a scholarship scheme for secondary schools and tertiary institutions, whose beneficiaries will be selected strictly on merit and distributed among the six (6) benefitting communities namely; TUNGA, AWE, AZARA, WUSE, AKIRI and RIBI.





MR. RAVINDRA SINGH SINGHVI
AG. MANAGING DIRECTOR

Esteemed Shareholders, I am happy to welcome you to the 14th Annual General Meeting of Dangote Sugar Refinery Plc' and to present to you the Company's performance for the year ended 31st December 2019.

2019 was a year marked by several events that impacted the Company's performance in various ways. These events and activities ranging from the Nigerian general elections, impact of the smuggled low quality sugar in our key markets nationwide, continued gridlock on Apapa wharf road; as well as the sudden increase of raw sugar import duty from 5% to 10%. This is in addition to the community issues we faced at the BIP sites which hampered access to the lands to enable us keep to the delivery timelines for the sugar projects.

Though these conditions affected our performance, we were resilient in the pursuit of set goals for the year, hence the report we are presenting before you for the period under review.

In my last report, I stated that my primary objective is to work with my experienced and qualified team, to build on the sustainable performance of the company through the execution of our core strategies. The strategies which are focused on driving growth through delivery of excellent customer service, growing new markets and the realization of the Dangote Sugar Backward Integration Master Plan; were pursued vigorously in 2019.

We worked closely with the Board of Directors, in the implementation of these strategies and were able to realign the priorities at every given time towards the achievement of the set targets. As a result, we were able to grow our customer base, sales volume and increased our share of the market in 2019.

In addition, we continued with the implementation cost saving drives, improved supply chain management and process optimization, for improved output; which is reflected in the Company's performance report for the year ended 31st December 2019.

2019 PERFORMANCE REVIEW

Dear shareholders, we achieved a Group Turnover of ₦161.1billion during the year under review, against ₦150.4billion recorded in 2018; Profit After Tax was ₦22.4billion in 2019 against ₦22.0billion achieved in 2018. As such, the Board has recommended for shareholders' approval at the Annual General Meeting, payment of a dividend ₦1.10 each for every ordinary share of 50 kobo each held in the Company as at December 31st 2019.

The 2019 performance was a result of tough market conditions, particularly during the first three quarters of the year over the impact of smuggled sugar in the market, continued Apapa road traffic gridlock; amongst other challenges that were encountered in the course of the year.

Despite these conditions sales volume grew 17.7% to 654,072 tonnes over 577,160 tonnes in 2018. The increased growth recorded in the sales volume was due to the key trade initiatives implemented to increase our customer base.

| | 2019 | 2018 | % change |
|-----------------|---------|---------|----------|
| Sales (MT) | 684,487 | 581,504 | 17.7 |
| Production (MT) | 654,072 | 577,160 | 13.3 |
| Revenue (Nbn) | 161.1 | 150.4 | 7.1 |
| PBT (Nbn) | 29.8 | 34.6 | -13.8 |
| PAT (Nbn) | 22.4 | 22.0 | 1.8 |

We continued with our improved service levels and cost saving drives during the year, which also impacted our performance in 2019. Our drive is still on despite the impact of the COVID 19 pandemic, and we are optimistic that this positive trend will be sustained for more growth in our volumes and performance in 2020.

The COVID 19 pandemic is an unprecedented global situation that has impacted organizations and Governments. Throughout this period, DSR actively supported and implemented the Federal and State Governments and the Nigeria Centre for Disease Control (NCDC) initiatives. Our employees, customers, partners, and the quality of our products remain our highest priority. As such, we deployed global best practice precautionary and hygiene measures at all our locations, and activated our business continuity plan to ensure that our refinery and supply chain remained fully operational.

THE BACKWARD INTEGRATION PROJECTS

During the year under review our focus remained the achievement of the Dangote Sugar Refinery Plc, Sugar for Nigeria Project Master Plan goal to produce 1.08 million MT/PA refined sugar from the first phase of the project from Savannah Sugar Company, Nasarawa Sugar Company Tunga and the Lau/Tau project sites.

Various efforts made to engage the necessary agencies, communities, and state government to resolve the community issues we are facing at Savannah and Lau/Tau, Taraba State, was futile. It is in view of this persistent challenges that the Honourable Minister of Industry, Trade & Investment undertook a 2 day working visits to the Sugar project sites nationwide. The visit

provided him the opportunity to appreciate the efforts, huge investments, challenges that we are faced with at these sites. As a result, the Sugar Master Plan has been revised, and DSR was given the target to produce 550,000MT/PA by 2024.

To this end, advanced progress made with the rehabilitation and expansion of Savannah Sugar is being taken further, with efforts at top gear at the Nasarawa Sugar Company Limited, Tunga is being sustained. Unfortunately, the Lau/Tau project situation remains the same. We are still maintaining the 68ha hectare cane farm there, and hopeful that the renewed efforts being made with the support of the federal government, will see to the resolution of all the outstanding issues with the communities.

The Board has continued to give its full support and guidance to Management to ensure achievement of the revised BIP goals. Despite the revised target for DSR to produce 550,000 metric tonnes of refined sugar annually by 2024, we will still deliver our initial sugar master plan to generate over 75,000 employment opportunities, develop a robust export market as well as the maximization of the sugar production value chain.



We will continue to engage all stakeholders to ensure that all challenges are surmounted for the delivery of set targets within the timelines.

SUSTAINABILITY

Dangote Sugar Refinery Plc. sustainability approach is driven by a desire to contribute and impact positively on the development of the immediate communities where we operate and the society at large – The Dangote Way.

In 2019, DSR continued to focus on the sustainability principles and regulations mandate businesses to look at performance from the Triple Bottom Line perspective: People, Planet and Profit.

Therefore, our social responsibility platform delivers on commitments focused on managing social impact, environmental protection, promoting health and safety; education and minimizing the risks within our operations. We are mindful that the sustained growth of our business especially the backward integration projects is interwoven with the well-being and advancement of the communities we operate in.

During the year under review we continued to create value in these communities through job creation, economic empowerment of the locals through our supply chain, scholarships, portable water, free health care amongst others. Our employees also volunteered their time, resources and carried out activities in all our host communities.



GOVERNANCE AND RISK MANAGEMENT

The responsibility to ensure good governance underpins its commitment to fairness, integrity,

and accountability in its day to day operations. Dangote Sugar Refinery Plc. (DSR) is very much aware of the importance of its reputation and vigilantly protects its images. As such, the Board of Directors engages Management and all stakeholders for more informed decision making and enhanced business performance.

The Board and management views corporate governance as paramount to sustainability and our risk policy and framework incorporate guidelines that ensures the company's operations are carried out in line with best practices monitored by the Board Risk Management & Assurance Committee. During the year under review, we entrenched global best practices in every facet of our operations. Our activities were guided by best practices, good corporate governance, robust risk management framework. We continued to maintain a risk-based internal controls and systems designed to provide reasonable assurance to the integrity and reliability of our operations, products, and financial statements based on established policies and procedures.

The underlying objective of our governance practice is to counterbalance the interests of investors, consumers, producers, the environment, employees, communities, government, and any other groups impacted by its business, while safeguarding its sustainability. We manage, monitor and measure compliance through the internal audit and Risk Management functions, and our Ethics Hotline (outsourced to KPMG).

HUMAN CAPITAL

Dangote Sugar employees remains the center of its operations. Our manpower development and compensation strategy are aligned with our strategic goals and employees are carried along to effectively understand the Company's targets and the individual expectations from all employees.

More than ever our aim remained to build and sustain a motivated workforce. In 2019 we invested in manpower development, encouraging and building teams, recognition and rewards to meet our performance targets. Focus was on strengthening key operational roles through identification and development of skills gaps,

succession planning, Health & Food Safety habits awareness while instilling a learning culture for growth. In addition, our people also have the opportunity to develop their careers across our sugar production business under the backward integration projects. This is unpinned by our exceptionally low staff turnover and high-performance culture. Our competitive advantage lies in our performance reward and inclusive system which motivates staff to perform optimally in the delivery of superior services to the benefit of customers and other stakeholders.

FUTURE OUTLOOK

Looking ahead, I believe in a sustainable future for the Company, especially with the sugar backward integration projects, despite the challenges we are facing, and the impact of COVID 19 pandemic on the global economy.

We have monitored closely every development about the pandemic from the first moment of its occurrence. We activated our business continuity plan and have been taking all the necessary precautions to protect the health and safety of our employees, suppliers and all stakeholders within and around our operations. We send our best wishes to all those who are affected by the virus, and our sincere condolences goes to those whose relatives and allies have passed away. We hope that none of you is affected by the outbreak and are keeping safe.

The Board and Management's resolve for the future remains realisation of the Dangote Sugar Backward Integration Revised Master Plan target to produce 550,000 metric tonnes sugar annually by 2024. The revision was a result of the on the spot assessment of the BIP sites by

the Honourable Minister of Trade, Industry & Investment in December 2019.

We are committed to this target and will continue to maximize every growth opportunity in the market to generate sales, increase market share and create sustainable value for all the stakeholders.

APPRECIATION

Distinguished shareholders, at this point, I express my profound thanks to the members of the Board of Directors, their continued support and guidance contributed immensely to the results we achieved in the years under review.

To you our shareholders, customers, and other stakeholders, I express my gratitude for your continued support, partnership, and the confidence you have in the Board and Management of Dangote Sugar Refinery Plc.

I also thank my colleagues on Management, and every member of our staff, their commitment and efforts saw to the delivery of our 2019 performance despite the various challenges.

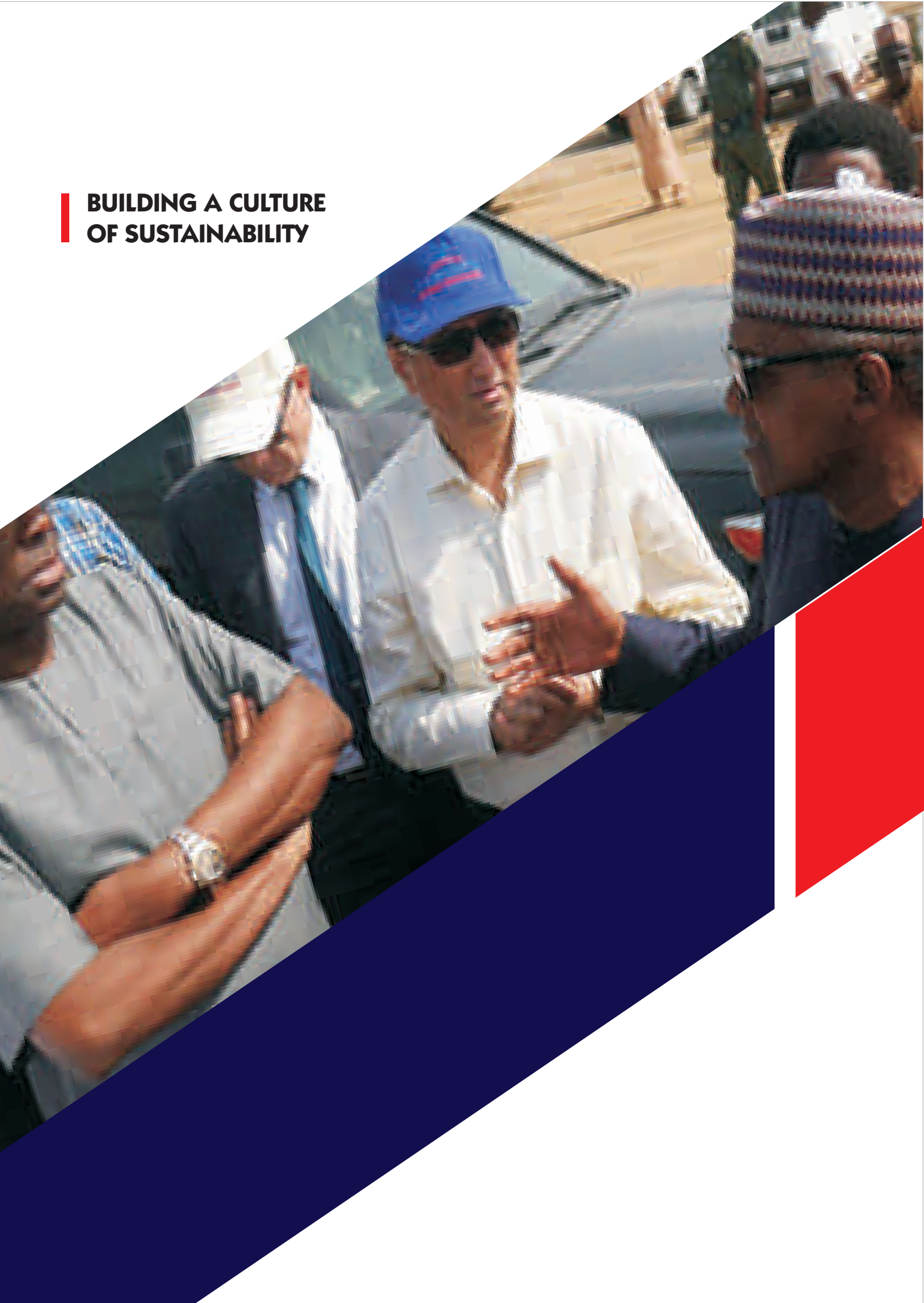
Please accept my best wishes.

Thank you and Stay Safe!



Ravindra Singh Singhvi
Ag. Managing Director
June 2020

**BUILDING A CULTURE
OF SUSTAINABILITY**



Driven by the goal of achieving the highest levels of governance, the 7 Sustainability Pillars are embedded in our corporate culture and guide our approach to building a prosperous and sustainable business.

ALIKO DANGOTE, GCON
Chairman



Our 7 Sustainability Pillars support our unique approach to creating a world-class enterprise.



Institutional:
Manage our Governance, regulatory compliance and risk management issues



Financial:
Drive sustainable profit and quality return on investments for shareholders



Operational:
Manage our production processes and service delivery in line with global best practices and continuously innovate for product excellence and brand relevance





Cultural:

Entrench our core values as a business and build a business culture where our people are prioritized, respected and empowered for enhanced productivity



Economic:

Promote inclusive, sustainable economic growth, self-reliance, self-sufficiency and industrialisation in the different markets where we operate



Social:

Engage effectively with key stakeholders, including employees, customers and host communities and prioritize health and safety and other wellbeing issues for our internal and external stakeholders; invest in community development and effectively track and measure our socio-economic impacts



Environmental:

Manage our environmental impact, set realistic goals and targets; and effectively track our performance and report our environmental footprints. Explore the risks and opportunities in climate change



Dangote Sugar Refinery Plc approach to sustainability is driven by a desire to contribute and impact positively on the development of the immediate communities where we operate and the society at large – ***The Dangote Way.***

Over the past decade, Dangote Sugar has played a key developmental role in the Nigerian Sugar Industry becoming a clear market leader in the sector by the size of its refinery, sugar production, market share as well as the strong cash generation and profitability of its business. This has contributed significantly to the current investments being made towards the actualization of the Dangote Sugar Master Plan to produce finished sugar from own grown sugarcane in support of the Nigerian

Government's goal to achieve sugar self-sufficiency.

In addition to the thousands of employees within Dangote Sugar Refinery Plc, the Sugar Backward Integration Plan will further create over 75,000 jobs in the country not only in the sugar production value chain but in sales, distribution, logistics and other support services.





Understandably, impact assessment plays a key role in ensuring an enhancement of the socio-economic footprint in the communities where the business is located. Therefore, DSR has developed initiatives that foster the actualization of its sustainability agenda, with focus on good governance, promoting health and safety standards in its various projects.

These are in line with DSR's Sustainability objective of making very positive impact on the

society while minimizing its negative environmental impact.

To achieve this, DSR sustainability agenda has been anchored on the Dangote Group's 7 Sustainability Pillars. These pillars embody DSR's corporate values as a business and developed through extensive stakeholder's engagement in alignment with the UN's Sustainable Development Goals (SDGs).



DANGOTE 7 SUSTAINABILITY PILLARS & THE TRIPLE BOTTOM-LINE



We have mapped our 7 sustainability pillars to the 17 SDGs and their 169 targets and are designing new initiatives as well as retooling old ones to enhance our positive impacts in the markets where we operate.

It is our priority to engage all key stakeholders on our sustainability objectives, to elicit their buy in and support in actualizing them. Our goal is to adopt best reporting framework, such as the Global Reporting Initiative (GRI) in disclosing our sustainability progress on an annual basis.

SOCIAL PERFORMANCE



Our business model focuses on creating shared value for our esteemed stakeholders. The Dangote Economic and Social Pillars guide how we go about this. They also help strengthen our economic viability and foster a conducive operating environment and sustainable growth. We drive inclusiveness in our business by creating jobs and procuring quality inputs that we require for our business operations from local vendors and suppliers around us. We fulfill our civic responsibilities by duly paying taxes and other remittances to support the actualization of sustainable development in the economies where we operate.

Job Creation

At DSR, we are impacting lives by creating jobs to reduce the high rate of unemployment in the

country . These jobs have ripple effects on the economy through the spending power of our employees. Also, our distributors, suppliers and contractors have their own employees which make up our direct, indirect, and induced employment.



Sustainable Livelihoods

Through our robust profitability, we create and distribute wealth to our stakeholders. We also support local communities to thrive through our social investments and infrastructural development projects. We provide local

communities with amenities such as water, roads, electricity, and other essential social amenities.



Creating Value

Dangote Sugar is driving positive change and sustainable growth in Nigeria through its efforts at putting the country on the World Sugar Production Map. This will be achieved through its Sugar Backward Integration Projects plan to produce about 1.5 million metric tonnes of refined sugar annually from own grown sugar cane. This will support the Federal Government of Nigeria's sugar self-sufficiency objectives. It is also aimed at employment generation for over 75,000 Nigerians; maximising the extended value chain in sugar, ethanol, power, animal feeds production, etc. These align with the principle of creating value as stipulated in the UN

Sustainable Development Goals and The Dangote Way.



OUR COMMUNITIES



Beyond our employees, we dedicate substantial resources towards supporting human capital development in host communities. Through our on-field staff who act as local community engagement organs, we obtain insights into the needs of our hosts which we strive to address as much as is practicable. We make concerted efforts to support development in the societies where we carry out our business. We encourage our employees to volunteer their time, skills, and capacity for the good of local communities.



Employee Volunteerism

As part of DSR's Corporate Social Responsibility Initiative, we encourage and support Employee Volunteering. Our employees support our goal of creating value in host communities and sustaining our social license to operate.

As part of the Dangote Group's annual "Sustainability Week" DSR employees across all levels carry out series of activities, events and initiatives that foster community development in line with their collective and/or individual passion.

During the year under review, our staff carried out community cleaning of the Liverpool roundabout at Apapa and Career Mentoring for students in schools around Apapa, as part of the sustainability week.

The DSR annual charity day also driven by employees held in December 2019, with staff collectively reaching out to the less privileged during the yuletide. Staff donated items and cash that were distributed to select charities in our area of operations.





COMMUNITY INVESTMENTS

At Dangote Sugar, we consult a broad range of stakeholder groups as part of our social responsibility drive. Our social investment decisions are made with close consultations with potential beneficiaries, with the aim of identifying and agreeing on the most pressing social interventions that we could support with. Our key impact areas include infrastructural development, job creation, healthcare and educational support, provision of potable water, road construction and rehabilitation etc. Some of our projects are aimed at promoting wellbeing, people empowerment and sports development at our SIP locations and the society at large.



Healthcare

Free healthcare services are provided at the Savannah Sugar to be on-site clinic that caters for the healthcare needs of the seven communities within which it operates in Adamawa State. In addition, we also provide programmes focusing on primary and secondary healthcare, occupational health, HIV and AIDS, malaria, Tuberculosis and so on in conjunction with HMOs and other health focused NGOs and organisations in all our plants and communities. Awareness sessions and control programmes for non-communicable diseases such as high blood pressure, diabetes and healthy living habits amongst others are conducted at our operational locations nations wide. Arrangements are also underway under the Dangote Sugar Backward Integration Master Plan community development scheme for the establishment of hospitals and refurbishments of existing ones at our greenfield sites. At the Nasarawa Sugar Company, Tunga, renovation of two primary healthcare centres, immunization centre and their staff quarters are well ongoing.

Education and Skills Acquisition

DSR is a firm supporter of educational empowerment for the development of skilled workforce in Nigeria. On site and on the job trainings on sugarcane husbandry, workshop and farm machinery maintenance are carried out at our BIPs sites. We collaborate with the

Dangote Academy for the development of skills needed for our operations. The Dangote Academy provides training on technical and managerial skills for both existing employees and those wishing to join the Group.

DSR is also a key stakeholder in the newly established Sugar Industry Institute; a National Sugar Development Council initiative to promote skills development in the sugar industry in Nigeria.

In addition to the provision of infrastructure and refurbishment of schools in its immediate communities, DSR also supports government and corporate educational empowerment in the country.

Annually, in commemoration of the United Nations World Food Day, DSR supports the Lagos State Government Ministry of Agriculture Schools Quiz Competition. The competition is focused on the promotion of Agriculture in our schools, an avenue through which the company promotes agricultural development among young adults, create awareness on the healthy and other uses of sugar and supports the winning students and schools with educational materials and equipment towards the development of quality education in the country.



Promoting Diversity and Women Empowerment

Although the empowerment of women has been substantially linked to general societal transformation, the gender space of most sectors such as manufacturing, oil and gas and others is still largely occupied by males. In the manufacturing sector women occupy a negligible percentage of the workforce.

At DSR, we are making concerted efforts to change the status quo, starting with our internal operations down to aspects of our value chains that fall within our sphere of influence. Women are encouraged to play key roles across the business. They are represented across all categories of staff from Board to key positions in

management and at our plants operations.

Our efforts at fostering the growth of women in our company, further enabled by the Dangote Women Network which acts as a support platform for women in the entire Dangote Group. Additionally, in our supply chain the women distributors play a crucial role in ensuring that our products are available wherever they are needed. Our overall women empowerment drive is directly and indirectly in line with goals 1, 2, 3, 5, 8, 10, and 11 of the United Nations Sustainable Development Goals.





HEALTH & SAFETY

Dangote Sugar Refinery Plc's Health & Safety, and Social Investment efforts have been enhanced with the consolidation of existing and development of group-wide policies towards the attainment of world class performance: **zero fatalities and virtually no loss time incidents for employees and contractors within our facilities.**

We are committed to complying with global best health and safety practices for our workers, visitors, consumers and host communities. We have a robust group HSSE framework that outlines our HSSE policies, HSSE risk management procedures, methods of engagement and HSSE performance reporting. In the previous years, we made giant strides in ensuring consumer safety and responsible production through the certification of our products. In the coming years, we would consolidate our efforts to achieve zero lost time injuries at our sites and improve compliance with HSSE related laws and regulations.

We strive to ensure that our negative business impacts are minimal, by imbibing good operational practices that ensure environmental and people wellbeing.

The Company is committed to the implementation and maintenance of Occupational Health & Safety Management Systems aimed at the prevention of occupational injuries and ill-health in our workforce and other users of our facilities. We strive to ensure continuous improvement in our production processes, sales operations and delivery of refined granulated white sugar, in compliance with relevant regulatory requirements.

During the year under review, we enhanced our commitment to ensuring zero accidents across our operations, with an improved Health and Safety strategy, that is designed to reinforce a

winning safety culture amongst employees.

Our slogan remains: "Safety First. Think Safety, Work Safely always."

Our Occupational Health & Safety policy is documented, monitored and sustained through adequate communication, supervision and awareness creation among employees, suppliers and other stakeholders in line with the requirements of the OHSAS 18001:2007/ISO 45001 Safety Management System, ISO 14001 Environmental Management system (EMS) and the DIL Group HSSE Framework.

To this effect DSR was recognized by the NSITF – NECA Safe Workplace Intervention Project during the year under review with the 2017/2018 Workplace Occupational Safety & Health Outstanding Performance Award. Another recognition came to us in 2019 from NPA LPC where we won the PLATINUM award for excellent performance in HSE in the process industry in Apapa.

These awards are in recognition of DSR's compliance with best Occupational Safety & Health standards for workers and the creation of a conducive and safe work environment for our employees.

Health, Safety and Environment workshops, trainings, initiatives and programmes (Roll out of 15 Lifesaving Golden rules, Evacuation drills, HSE Inspections and audits, successful hosting of several regulatory bodies, Tool box talks, Leading and Lagging indicators etc.) were also organized for employees during the year. The broad focus on continuous improvement to ensure a safe working environment, with minimal risk to health, as we strive to achieve zero accidents in our operations.

ENVIRONMENT

Our parent company (Dangote Industries Limited) is signatory to the United Nations Global Compact (UNGC); hence we are committed to complying with its three environmental principles. As an environmentally conscious business we ensure that we take our environmental footprints into considerations and address them as much as we can.

In the year under review efforts were channeled towards the effective management and reduction of our environmental impacts by evaluating our production processes and introducing various corrective interventions. This is in addition to various activities to safeguard the environment not just in our processes but from our Procurement and distribution operations such as:-

- Power generation using natural gas which is neater with little or no flue gas that may pollute the atmosphere.
- Use of high-quality LPFO as an alternative when gas supply becomes unreliable.
- Refinery operation noise level within the acceptable 85dB at 1.0 M by installing silencers for that purpose.
- Implementation of energy saving projects to save water, steam, fuel, power and increase condensate return to the boiler house.
- Commitment to reducing our waste and emissions
- Operating production plant that reduces emissions to globally acceptable standards
- Processing effluents from process flow line through use of brine recovery system to recover and recycle common salt, acid and water

Pollution Management

We proactively manage the various types of pollution from our operations. At the refinery operation, we are replacing existing silencers in the boiler plant to mitigate noise pollution. We also minimise our soot emission, wastewater discharge and deforestation in our operations. We have a brine recovery system in place to

recover minerals and water in the effluent from the process house.

Climate Action

We have designed and adopted several energy savings techniques to cut down on our energy consumption. We are using alternative energy sources such as natural gas, which is cleaner than fossil fuel, thereby reducing our greenhouse gas (GHG) emissions. In the coming year, we would sustain and further operationalise higher level environmental management system that would ensure that our impacts are within the regulatory limits.

As a player in the agricultural sector, protection of the natural environment is critical to our business and we remain committed to promoting eco-friendliness across our value chain.

To pre-empt environmental challenges that stem from unsustainable farming practices and potential impact on business growth, we source and distribute quality inputs including fertilizers to farmers through initiatives such as our out-grower scheme, leveraging our suppliers, partners, aggregators and agents. We are also committed to promoting biodiversity and enhancing water efficiency and management while driving up yield and quality of produce. These commitments are driven by our objective of supporting actualisation of a cleaner global environment.



FOOD SAFETY

The Dangote Sugar Refinery (DSR) Plc Food Safety Policy ensures that its operations in refining, sales and distribution of granulated white sugar meet statutory, regulatory and consumer food safety requirements, using the most appropriate food grade production facilities under hygienic conditions, whilst also maintaining effective communication with stakeholders on food safety issues.

The Company's Food Safety Policy is supported by measurable objectives that are monitored, maintained and continually reviewed with the following objectives:

- a) To provide wholesome and nutritious sugar that supports healthy living
- b) To achieve 100% compliance with all relevant customers', statutory and regulatory food safety requirements
- c) To ensure that all relevant parties in the food production chain are aware of; and comply with the company's food safety requirement.

DSR process is FSSC 22000 (Food Safety System Certification) certified by SGS. The FSSC 22000 system is based on ISO Standards recognized by the Global Food Safety Initiative (GFSI). The FSSC 22000 integrates with other management systems already achieved by the Company as part of the strategic initiative to meet the teeming needs of its customers; and sustain its frontline position in the Food and Beverage industry in line with internationally accepted practices and standards.





OUR PEOPLE

Dangote Sugar Refinery Plc in keeping with global best practices remains an equal opportunities employer. Its Human resources objective is to attract, develop and retain skilled and competent persons as employees who are the driving force behind the business.

We continuously imbibe best practices that improve existing HR systems and processes as well as develop new tools to enhance employee experience. In the year under review, such improvement enhancement initiatives were in the area of recruitment; training and employee engagement; performance management and recognition; leadership development and

identification of key roles and employees. These are required to sustain set growth objectives, increased returns to stakeholders and continuous employees' wellbeing.

Accordingly, the Company continued the implementation of its employee development plan and competitive appraisal systems to motivate staff. The focus is on the improvement of the skills and competency levels of the workforce through fit for purpose learning and development interventions. This has helped to prepare the workforce for more challenging roles in the organization.



Capacity Building and Employee Engagement

During the year under review, over 1,657 employees received various types of trainings within and outside the country. We will continue to build capability and leadership among our people, while attracting some of the best talents in the marketplace.

Furthermore, throughout 2019, industrial harmony was maintained through active engagement of employees and improved employee experience. The employees are carried along on developments in the Company towards achieving our Dangote Sugar Backward Integration Master Plan. Periodically they are briefed on the objectives, goals, targets, and expectations by Management. The company recognizes the critical role of skilled employees in the achievement of its corporate goals and to sustain its leadership position in the industry.

The Management’s recognition and awards for Internal Customer Service Champions introduced in the prior year was sustained during the year under review. Employees were encouraged to nominate their colleagues who have delivered beyond expectations in service delivery. As such, the 2019 Internal Customer Service Champions are Olanrewaju Yekini (Security Services), Opeyemi Princewill (Sales &

Marketing Department), and Abdulrauf Adamu (DSR Fleet).

We will continue to upgrade employee skills and competences to remain the preferred employer in the Nigerian Food and Beverage industry as well as for the furtherance of our objective to attract, develop and retain highly skilled employees.

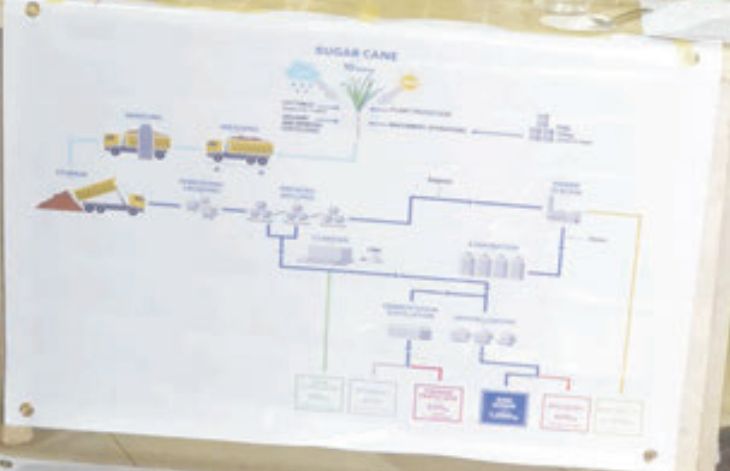
Compliance with labour laws

Employee engagement in DSR is guided mainly by the provisions of the Nigerian Labour Law and the Federal Factories Act. There is also the Employee Handbook which provides guidance on the acceptable conduct of employees across all levels to ensure conformity with the corporate culture that we are building - The Dangote Way.

Labour practices and benefits

We had a total of 1616 employees as at December 2019 as full-time staff which comprises of 96.7% males and 3.3% females. The company provides amongst other employment benefits Group Life Insurance, Family Health Services and Pension Schemes. Furthermore, our Diversity and Inclusiveness Policy ensures that our employees regardless of their gender, creed, language, religion and so on. have opportunities to develop their career across our Business functions.





IKOTUN SENIOR HIGH SCHOOL IKOTUN
SUGAR BASED RECIPE COMPETITION

ALTERNATIVE USE OF SUGAR FOR ETHANOL PRODUCTION

AGRICULTURAL + INDUSTRIALIZATION
RE-ENGINEERING
↓
ECONOMIC PRODUCTIVITY
↓
EMPLOYMENT GENERATION

SUGARCANE (AGRICULTURAL REVOLUTION) → MOLASSES (INDUSTRIALIZATION) → SUGAR → ETHANOL

Other Uses of Sugar Presentation @ the 2019 Schools Quiz Competition

MANAGEMENT TEAM



MR. RAVINDRA SINGH SINGHVI
Ag. Managing Director

Ravindra Singh Singhvi is the Ag. Managing Director of Dangote Sugar Refinery Plc, He was the Chief Operating Officer until his appointment as the Ag. Managing Director on the 18th of June 2019. Mr. Singhvi has over 37 years of proven experience in leadership positions in Manufacturing and Processes in Sugar, Petrochemicals, Cement, Textiles products industries in India. Mr. Singhvi is a Chartered Accountant with background in Company Secretary ship and General Management. He possesses a Bachelor's Degree in B.Com (Hons) and Law(I) from the University of Jodhpur, India. Prior to joining Dangote Sugar Refinery Plc, Mr. Singhvi was the Managing Director & CEO of NSL Sugar Limited, Hyderabad, India, Managing Director, EID Parry (1) Limited, Chennai, India, one of top three sugar producing companies in India.



DEBOLA FALADE (MRS)
Chief Finance Officer

Adebola Falade is the Chief Finance Officer of Dangote Sugar Refinery Plc, with over 24 years post qualification experience. Mrs. Falade is a graduate of Accounting from the University of Lagos; and a Fellow of the Institute of Chartered Accountants of Nigeria. She previously served as the Chief Financial Officer of Ecart Internet Services Ltd (Jumia), and held the role as Controls Compliance and Ethics Director at Guinness Nigeria Plc (a Diageo company). She also served in various Senior Finance roles at Guinness as head of Supply Finance, Finance Process Improvement and Governance, Internal Audit and compliance teams. Adebola, has also served in various Financial reporting, control and audit roles in other companies including at Afrprint Nigeria Plc, Nigerian Bottling Company Ltd, Standard Trust Bank (now United Bank for Africa plc).



THIRUMANGAI RAJASEKAR
General Manager Refinery Operations

Mr. Thirumangai Rajasekar is the General Manager, Refinery Operations of Dangote Sugar Refinery Plc. He has held management positions with over 38 years' experience in Sugar Refinery Operations, Energy and Chemical industries in India. Mr. Rajasekar, was a Senior Vice President & Head-Manufacturing, EID Parry (India) Ltd, with the responsibility for the implementation and conceptualization of new engineering concepts & operational strategies, amongst others.

Prior to his redeployment to Dangote Sugar Refinery Plc, as the General Manager Refinery Operations; he was the Chief Executive of Savannah Sugar Company Limited, Numan, Adamawa State; one of DSR's sugar backward integration projects subsidiary. Mr. Rajasekar, holds a B.Tech. (Hons.) in Engineering from Madras Institute of Technology, Anna University, Chennai, India and Bachelor's degree in Mathematics from Madras University, India.



IDOWU ADENOPO
Chief Internal Auditor

Idowu Adenopo has over 25 years' experience across professional practice and the manufacturing industry both in Nigeria and the United Kingdom. He holds a BSc (Hons) in Chemistry from the University of Lagos. He is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), a Certified Internal Auditor (CIA) of the Institute of Internal Auditors, North America and an Associate member of both the Chartered Institute of Taxation of Nigeria and the Nigerian Institute of Management



TEMITOPE HASSAN (MRS)
Company Secretary/Legal Adviser

Temitope Hassan is the Company Secretary/Legal Adviser of Dangote Sugar Refinery Plc. A multi-disciplined lawyer with over 22 years work experience, with expertise in Company Secretariat Practice, Legal Drafting, Dispute Resolution, Corporate Governance Advisory, Investor Relations, Regulatory Compliance and Corporate Services. She started her legal career with the law firm of Olaniwun Ajayi LLP. Mrs. Hassan holds a bachelor's degree in law from the London South Bank University, U.K, BSc in insurance from the University of Lagos, Akoka and a MBA in Business Administration from Obafemi Awolowo University, Ile-Ife. Prior to joining Dangote Sugar Refinery Plc in January 2020, as the Company Secretary/Legal Adviser, she was the Company Secretary/Legal Adviser at UBA Pensions Custodian Limited, Head of Company Secretariat at Skye Bank Plc (now Polaris Bank Limited). Mrs. Hassan is a certified Trainer and an Accredited Mentor of the National Mentoring Pilot Project, UK; and a Fellow of the Institute of Chartered Secretaries & Administrators of Nigeria.



MR. HASSAN SALISU
Head Human Resources/Admin

Hassan Salisu holds a Bachelor of Science in Business Administration and Master of Science in Technology Development. He is a professional member of the Chartered Institute of Personnel Management of Nigeria, Nigerian Institute of Management and Nigerian Institute for Training and Development where he was a Member of Council in 1998. He joined Dangote Industries Limited (DIL) in 2012 as Head Management Development. He later became the Head Dangote Academy and Group Learning & Development Lead, a position he held until his deployment to Dangote Sugar Refinery Plc as Head, Human Resources and Administration. Prior to joining DIL, he worked in a few organizations including the Bank of Industry as GM Corporate Services with responsibilities for Human Resources Management, Administration, Finance and Information Technology.



BELLO SADIQ
Head Sales & Marketing

Bello Alkali Saddiq is the Head, Sales & Marketing of Dangote Sugar Refinery Plc. Mr. Saddiq holds a Master's degree in Marketing from the Bayero University, Kano, and Higher National Diploma in Business Administration from the Kaduna State Polytechnic, both in Nigeria. Prior to joining Dangote Sugar Refinery Plc, Bello was the Head of key accounts at Lafarge Africa Plc. With over 20 years post work experience, Mr. Saddiq spent 18 years in the FMCG sector; in sales positions across Multinational companies. He is a fellow of the National Institute of Marketing of Nigeria and a Fellow of the Institute of Professional Managers and Administrators of Nigeria.



John Izoje Omoera
General Manager, Supply Chain

John Omoera is the General Manager, Supply Chain of Dangote Sugar Refinery Plc. Mr. Omoera has over 20 years work experience, spanning over the Oil & Gas, Telecommunications and FMCG. He was Regional Category Manager Logistics, Sub Saharan Africa - Shell Petroleum Development Company, Head of Commercial & General Procurement - Etisalat Nigeria and held senior roles in Guinness Nigeria Plc and Natcom Development & Investment Ltd (ntel). He worked independently as a Supply Chain Consultant with expertise in Supply Chain Transformation and Excellence, before joining DSR in March, 2020. He holds a Bachelor's Degree in Economics from Edo State University and a Master's in Business Administration from the University of Benin. He is a member of the Chartered Institute of Procurement and Supply, and has attended professional development programmes in Melbourne Business School, Australia and Cranfield University, UK.



NGOZI NGENE
Head Corporate Affairs

Ngozi Ngene joined Dangote Sugar in 2007. She has over 24 years multi industry experience that spans across Sales & Marketing, Corporate Image & Reputation Management, Journalism, Media Relations and Events Management; as well as Company Secretariat functions. She holds a Master's in Public Administration from Nnamdi Azikiwe University, Awka and a Higher National Diploma in Mass Communication from the Federal Polytechnic, Oko, both in Anambra State. Ngozi is a member of the Nigerian Institute of Public Relations and Chartered Institute of Public Relations, London.



FATAY O. JIMOH
Head Risk Management

Fatay O. Jimoh holds a Higher National Diploma in Accounting in Yaba College of Technology Yaba, Lagos. He joined Dangote Sugar Refinery Plc in April 2018 with over 25 years' multi industry experience across the Banking sector, Information Technology, Business Consulting, Audit Professional practice, Credit Risk Management etc. Fatay is responsible for the DSR Enterprise Risk Management Function. He is an Associate member of the Institute of Chartered Accountants of Nigeria, Nigerian Institute of Management, and the Chartered Institute of Taxation. He is a Fellow of the Institute of Information Management Africa and a member of the Society for Corporate Governance Nigeria.

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RISK MANAGEMENT

Good risk management is essential for the creation of a robust institutional framework that enables us to deliver long-term and sustainable increase in value for our stakeholders.

The Risk Management Process

We believe the identification and management of risks are central to achieving the corporate purpose of creating long-term shareholder value, as demonstrated by our fit-for-purpose approach to risk management. The principal aim of Dangote Sugar Refinery's risk management governance structure and internal control systems is to identify, evaluate and manage risks with a view to enhancing the value of shareholders' investments and safeguarding assets.

Our risk management process is disciplined and methodical to ensure value addition and value protection for the Group with processes that ensure appropriate ownership of risk and accountability of all stakeholders in the risk management value chain whilst ensuring collaboration between risk management and process owners across the business. Measurement of risk takes into consideration our risk appetite, tolerance limits, and desired risk profiles to avoid misrepresentation of our risk profile.

Risk Identification and Assessment

Our approach stresses that good risk management starts with the right conversations to drive informed and superior business decision-making. This ensures that we embed accountability for managing risk into our business structures. Procedures for identifying risks are applied at department, country and

group levels.

Qualitative and quantitative tools deployed to manage this process effectively across the organization include the conduct of risk and control self-assessments, key risk indicator monitoring, loss incident reporting and timely key risk reporting and escalation. These processes are supplemented with ad-hoc on-site assessments and root cause analysis when unexpected high risks are envisaged or occur.

Risk Measurement and Prioritization

This requires the quantification of the consequences of potential risks or actual risk incidents for the proper understanding of risk taking and prevalent or potential risk exposure by relevant stakeholders. Dangote Sugar Refinery's overall risk rating is based on the severity of impact whether financial or non-financial damage from each specific risk, multiplied by its probability or frequency of occurrence.

Risk Control and Reporting

Following proper identification, quantification and treatment of existing and potential risks, mitigation strategies are recommended for approval by DSR's Executive Committee on a monthly basis, and to the Board on a quarterly basis. Thereafter, the status of implementation is monitored and also reported to both decision-making authorities. Where necessary, special risk reports are sent to relevant stakeholders on a need-to-know basis. The Board Audit, Compliance and Risk Management Committee reviews risk reports and approves the implementation of recommended risk control measures on behalf of the Board.

Risk Monitoring

The Group Risk Management Department, headed by the Group Chief Risk Officer, is responsible for coordinating all the risk management processes implemented across the Group and ensures that risk controls are duly implemented. Where risk controls remain outstanding, the department ensures timely escalation to relevant approving authorities for the required budgetary approvals or control modifications. The risk monitoring process sometimes leads to the identification and assessment of new risks that are then analyzed using the process flow previously described.

The second line of defence requires risk and compliance oversight of the activities of the first line of defence, setting the limits, rules and controls, consistent with the risk appetite of the Group. It ensures a holistic approach to risk management and risk reporting.

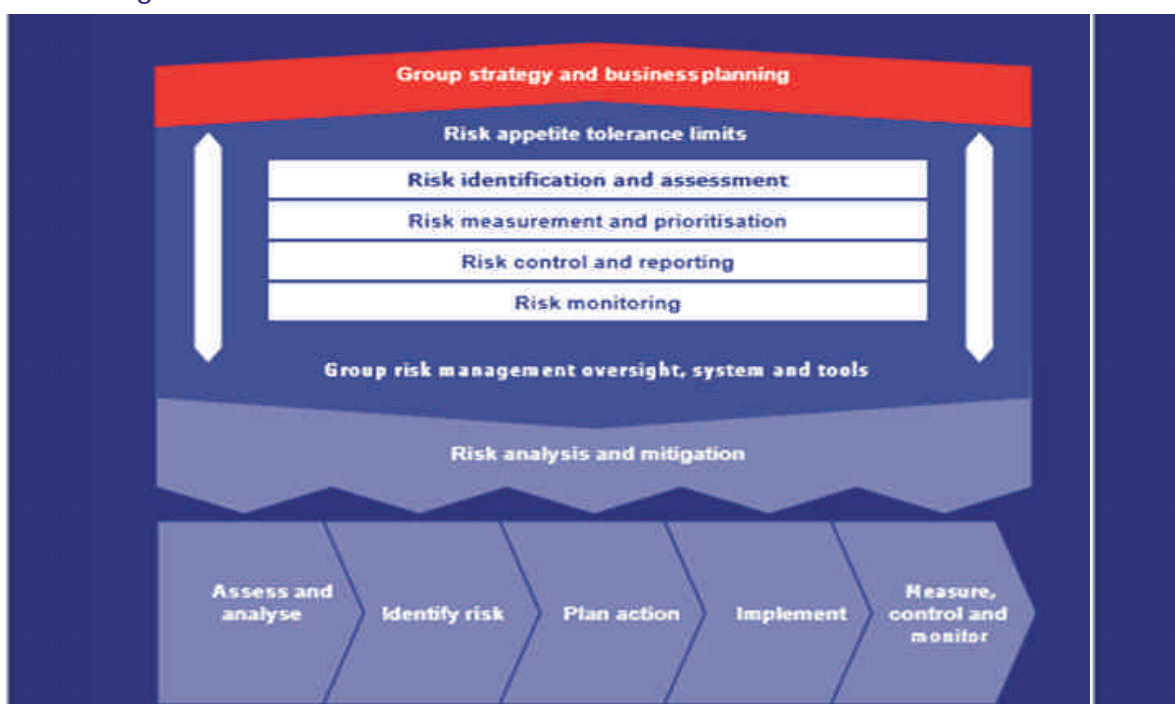
The third line of defence requires internal audit providing independent assurance to the Board and Executive Management on the effectiveness of the Group’s risk management framework. The Legal function does not sit in any of the three lines but supports all three levels of defence and plays a role in overseeing legal risk.

Three Lines of Defence

Our risk culture in Dangote Sugar Refinery Plc is driven by key principles embedded in our Enterprise Risk Management Framework. These principles are built around the “three lines of defence”. The first line of defence comprises the revenue-generating and customer-facing areas, alongside all associated support functions. The first line identifies the risks, and sets the policies, standards and controls, within the criteria set by the second line of defence. It continuously monitors risk positions and reports inherent risks to relevant stakeholders.

The Legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational risks. Together with a governance process through the Audit, Compliance and Risk Management Committee and Board-level forums of DSR subsidiaries, the main Board of Dangote Sugar Refinery receives regular information in respect of the risk profile of the Group and has ultimate responsibility for setting its risk appetite and required capital expenditures.

Risk Management Process



Risk Appetite

All decisions must balance risk and reward to ensure all activities are economically viable after due consideration of risk treatments. DSR's risk appetite is considered at all times when making such decisions. Our Board has responsibility for determining the level of risk to be taken. It also determines the overall strategic direction for the business, and as part of this process, determines the Group's risk appetite.

Risk appetite defines the level of risk we are willing to take as a business for all types of risk whilst considering varying levels of financial and non-financial stress. Risk appetite is key for our decision-making process, including business planning, operations, new product reviews and approvals alongside consideration of business change initiatives. Following the Board's approval of the risk appetite statement, the year under review saw the Risk Management function commence the process of quantification of its risk appetite statement hinged on converting the Group's qualitative risk appetite statement to a series of metrics which would translate specific value drivers into series of limits and tolerance levels for effective risk monitoring. Tolerance levels define escalation requirements that enable appropriate actions to be considered and implemented as required. By applying scaled limits across all our strategic and operational activities, we control specific activities that may have material concentration and impact on our business.

The management of risk is embedded in each level of our business, with staff being responsible for the understanding and management of these risks. This is carried out by specifying responsibilities according to the "three lines of defence" with each line of defence overseen by responsible personnel, resulting in preserving a strong design, implementation, remediation, monitoring and testing framework focused on independence and robust governance.

Risk Reporting Escalation and Treatment

1. Board:

- Sets the tone for effective risk management

in DSR; and

- Delegates its oversight responsibilities to the Board Audit, Compliance and Risk Management Committee and ensures it receives quarterly updates on the DSR's risk management profile.

2. Board Audit, Compliance and Risk Management Committee:

- Approves DSR's risk management framework and applicable policies;
- Approves methodologies for management of all types of risks;
- Approves DSR's risk management strategy and risk appetite; and
- Supervises and monitors DSR's risk appetite.

3. Executive Management Committee:

- Promote risk culture and desired risk behavior in decisions being made.
- Ensure macro and micro risk management by limits monitoring for acceptable risk exposures; and
- Continuously monitor positions and report inherent risks to relevant stakeholders.

4. Group Chief Risk Officer:

- Group-wide responsibility for management of all types of risks.
- Comprehensive monitoring, analysis and reporting on risk exposures; and
- Organization of all day to day risk management activities.

5. Risk Management Function:

- Understand business dynamics and complexities for apt risk management
- Implement DSR's Risk Management Framework.
- Liaise with all stakeholders to ensure all risk management processes are effectively deployed.
- Promote a strong risk management culture and desired risk behavior in decisions being made.
- Ensure macro and micro risk management by limits monitoring for acceptable risk exposures; and
- Continuously monitor positions and report inherent risk to relevant stakeholders.

6. Specialized Risk Sub-Committees

- Standing and Ad-hoc committees set up to tackle specific risk issues such as the Management Credit Committee.

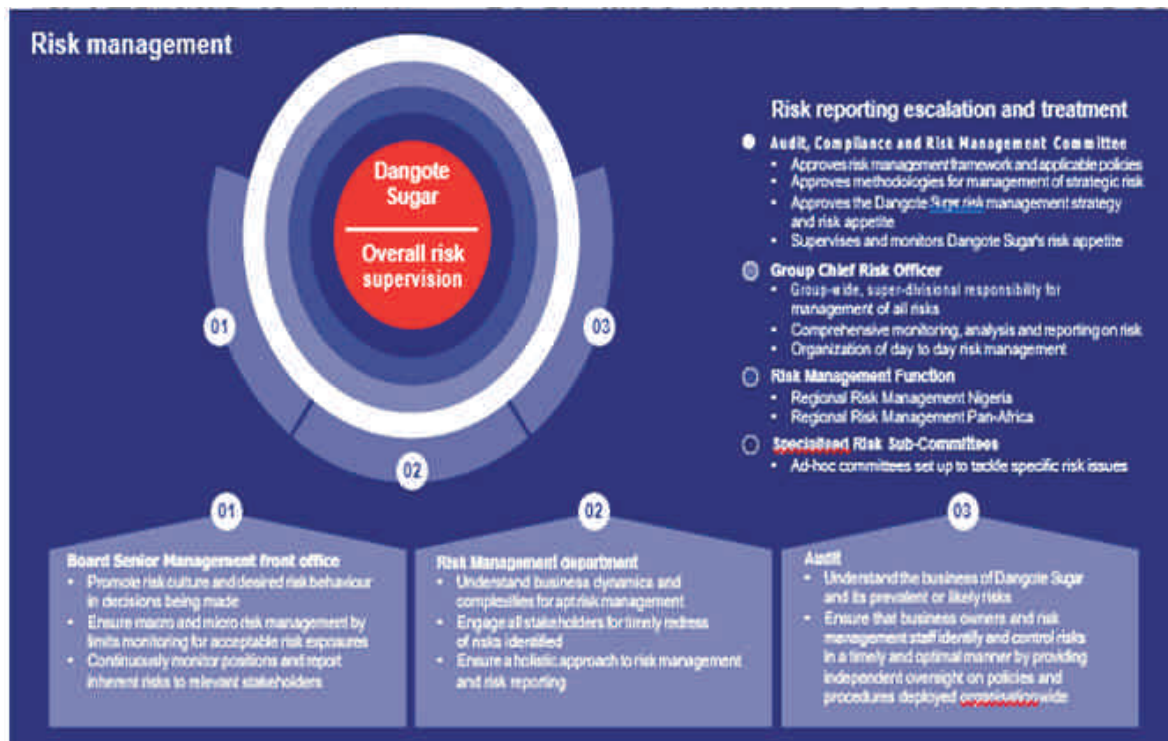
7. Audit

- Understand the business of Dangote Sugar Refinery and its prevalent or likely risks
- Ensure that business owners and risk management staff identify and control risks in a timely and optimal manner by providing independent oversight on policies and procedures deployed organization wide.

- iii. Concentration risk with regards annual volumes lifted by few key Corporate Customers
- iv. IT infrastructure not manned enough to support business operational needs
- v. Threat from political instability and security threat across some of our key markets in Maiduguri and North East.
- vi. Threat of margins shrinking due to cut-throat competition by competitors.
- vii. Threat to our HSSE goal and targets for safety
- viii. Credit risk of financial loss arising from Clean Credit funding of Credit Sales to Customers.

Evidence of Principal risk occurrence

- i. Implementation of Business Integrated Project for DSR's strategic survival
- ii. Impact of truck unavailability and reliability



Principal risks linked to strategic objectives

| Strategic Objective | Principal Risks | Mitigation Efforts |
|--|---|--|
| <p>1. Focus on optimizing the efficiency of our existing assets to increase output and lower costs</p> | <ul style="list-style-type: none"> • Impact of political instability or social unrest that disrupts our Backward Integration Projects (BIP) ability to progress as desired and distribute sugar. • Fuel supply disruption. • Unscheduled operational downtime. • IT disruptions through inadequate support of IT Operations. • Increase in input costs, especially for key imports such as gas and fuel. | <ul style="list-style-type: none"> • Development of a robust Business Continuity Management System. • Provision of In-house security personnel to ensure protection of staff and assets. • Constant monitoring of local situations especially at the BIP sites. • Ongoing strategies for business continuity and crisis management. • Greater control of own fuel supply chain. • Selection of more reliable fuel suppliers. • Constant monitoring of systems and regular maintenance thereof. • Improvements in spare parts inventory and management. • Develop and maintain appropriate IT systems to support our enterprise and ensure proper training and use of same. • Review of critical systems deployment and use, whilst ensuring systems deployed are fit-for-purpose and where necessary are upgraded to suit business needs. • Ongoing group-wide revaluation of assets. |
| <p>2. Increase market leadership to attain at least 60% market share</p> | <ul style="list-style-type: none"> • Truck unavailability due to inefficient management, offloading delays, accidents, lack of maintenance and spare parts. • Competitive pricing pressures. • Concentration risk with regards to key corporate customers. • Disruption of Refinery operations resulting in product scarcity in the market. | <ul style="list-style-type: none"> • Investment in new trucks, improvements in logistics management systems, better training for drivers and mechanics, constant monitoring of truck condition, better standards of maintenance at depot and reduced turnaround times for goods in transit and returning trucks. • Achieve market share sufficient to be “price maker”. |

Principal risks linked to strategic objectives

| Strategic Objective | Principal Risks | Mitigation Efforts |
|--|---|--|
| | | <ul style="list-style-type: none"> • Focus on product quality, cost and service as differentiators. • Improve marketing and sales reach by activating more retail outlets. • Develop broader product range to address specific needs. • Widen distribution with focus on retail and trade customers to reduce reliance on larger Corporate Customers for significant volumes and margin. • Develop retail channels, through Container Programme in Nigeria, or by increasing the spread of DSR's warehouses. • Improved incentivisation of sales staff and key distributors, with clear performance targets. • Continuous deployment of initiatives for optimization of assets. |
| <p>3. Tap into high-value export markets, generating useful foreign currency that we can deploy outside of Nigeria</p> | <ul style="list-style-type: none"> • Border shutdowns. • Bureaucratic bottlenecks. • Lack of product awareness in local markets. • Truck unavailability or inefficient logistics. | <ul style="list-style-type: none"> • Understand customs procedures for exports and engage local customs for knowledge on areas that require process improvement. • Penetrative marketing and brand building in potential territories for export. • Improved and diverse marketing strategies to grow market share |

Principal risks linked to strategic objectives

| Strategic Objective | Principal Risks | Mitigation Efforts |
|--|---|---|
| <p>4. Expand prudently into attractive and high-growth sugar markets across Sub-Saharan Africa</p> | <ul style="list-style-type: none"> Continued foreign exchange controls in Nigeria prevent Investment outside the country. Lack of available foreign currency. Market saturation increases competition, reduces prices and creates overcapacity. | <ul style="list-style-type: none"> Pursue opportunities for FX generation organically through exports from Nigeria. Work with regulators to source FX as required. Assess opportunities of external funding through international debt or other sources of financing to fund the Business Integration Projects (BIP). Identification and continuous monitoring of potential markets with rigorous criteria set for market entry. |
| <p>5. Adhere to high standards of corporate governance and improve our efforts in sustainability</p> | <ul style="list-style-type: none"> Harm to staff and or assets, or any disruption caused by poor community relations which impact revenue, increase costs and or legal issues for DSR. Reputational damage caused by environmental or safety incidents at Refinery or during transportation of goods. Stakeholder concerns about corporate governance. | <ul style="list-style-type: none"> Focus on improving community relations through increased engagement before and during operations and increasing opportunities for employment of youths. Improved health and safety practices through deployment of global best practices, more training on safety awareness, improved reporting and adoption of the 15 Golden Safety Rules. Increased environmental awareness, monitoring, reporting and mitigation of threats. Improved driver training to reduce road accidents. Adoption of international best practices in corporate governance, including increasing the number of Independent Directors with cognate experience. Continuous and transparent engagement with investors and other external stakeholders. |

INTERNAL AUDIT

At DSR Plc., the approach to internal audit is centered on an Enterprise Risk Management (ERM) Framework and a Risk-Based Audit Approach, both of which strengthen and complement how we manage risk. This approach provides an assurance that the processes that manage risks to a level considered acceptable by the Board, are working effectively and efficiently, whilst focusing on key processes and controls.

The Board of Directors of DSR Plc. recognizes the importance of internal auditing and has adopted the definition of internal auditing by the Institute of Internal Auditors. Consequently, the Board documented its operating model for carrying out internal audit activities within the Company in an Internal Audit Charter.

The Charter describes the objectives, scope, authority and responsibility of the Internal Audit Function in achieving internal audit objectives within the Company and is adhered to strictly by both the Board Risk Management and Assurance Committee and the Internal Audit Function.

The Internal Audit department across the DSR Plc. Group (DSR and SSCL) has been fully resourced consistent with the agreed manning level as approved by the Board Risk Management and Assurance Committee.

Internal Audit Function Wheel



Dangote Sugar Refinery Plc.'s outlook for the future is based on an intentional and entrepreneurial vision for growth, sustainability and value creation. As it continues to grow and expand its business, a more sophisticated and granular methods would be applied in the management of the risk's organization-wide.

Whistle-Blowing

The Company has set up regulations to identify non-compliant events, as well as the implementation of a whistle blowing policy, which allows all employees and business partners to raise genuine concerns, in good faith, without fear

Guiding principles over the Whistle-Blowing process include ensuring that the confidentiality of the whistleblower is maintained and not disclosed without his/her formal consent. Furthermore, if the whistleblower raises a genuine concern in good faith, he or she will not be held liable, should the whistleblower be proven to be incorrect thereafter.

To maintain independence over the Whistle-blowing process, an external professional services firm was engaged during 2016 to receive whistleblower information or complaints. The external professional services firm has continued to provide useful whistleblower complaints to identified individuals within the Company based on the category of persons involved in the whistle blowing complaint.

The Internal Audit department has developed a process to carry out necessary investigations on relevant items and provide recommendations and reports to the Board Risk Management & Assurance Committee on the results of these investigations. In addition, the Internal Audit department continued to engage with various Process Owners in a proactive manner to further improve the control environment.

Lastly, company Policies and Standard Operating Procedures (SOP) were revised across key departments during the year with support from an external professional services firm, Deloitte & Touche.



CORPORATE GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2019



Dear Shareholders,

Dangote Sugar Refinery Plc is committed to maintaining the highest standards of Corporate Governance in the Company. Its business is conducted in compliance with relevant laws and regulations and in line with global best practices. Consequently, the Company regularly reappraises its processes to ensure that its business conforms to best practice always.

The Board of Directors of Dangote Sugar Refinery Plc (DSR) are pleased to report that during the year ended December 31, 2019, the Company complied with the principles and guidelines of its Corporate Governance Code and the Securities and Exchange Commission Code of Corporate Governance for Public Companies ("the SEC Code"). The Board remains committed to DSR values and pledge to safeguard and increase the value of our Company by wholesome Corporate Governance practices by ensuring continuous compliance with all legal and regulatory requirements and global best practices, to remain a pace-setter in good Corporate Governance practices.

In furtherance of the Board's commitment to best practice in Corporate Governance, the Directors participated in the Fiduciary Awareness Certification Test (FACT) of the Corporate Governance Rating System (CGRS) introduced by the Nigerian Stock Exchange and The Convention on Business Integrity.

The Board of Directors is accountable to shareholders for creating and delivering sustainable value through the management of the Company. To this end, the Board of Directors has put in place mechanisms that assist it to

review, on a regular basis, the operations of the Company to ensure that business is conducted in accordance with good Corporate Governance and global best practices.

The Company produces a comprehensive Annual Report and Financial Statements in compliance with the Companies and Allied Matters Act. Risk based internal control procedures were established to ensure that the documents disclose the business and provide detailed audited Financial Statements in accordance with the relevant Accounting Standards and Regulations.

Board Structure & Composition

The Board of Dangote Sugar Refinery Plc. as at December 31, 2019 was composed of eight (8) Directors including the Chairman and one Independent Non-Executive Director. The age range on the Board is adequate and the female gender representation is 25% of the Board.

Members of the Board have a wide range of experiences, including Business and Entrepreneurship, Finance and Accounting, Investment, Information Technology, Law, Banking, Administration, Risk Management and Strategy & Business Development.

To safeguard the objectivity and independence of the Board, no individuals have unfettered powers of decision making.

Changes in the Structure & Composition of Board

During the review period, there were no changes in the structure and composition of the Board.

Board of Directors

The following were Directors of the Company who served during the period under review:

| S/N | DIRECTOR | ROLE |
|-----|-----------------------------|------------------------------------|
| 1 | Alhaji Aliko Dangote (GCON) | Chairman |
| 2 | Mr. Ravindra Singh Singhvi | Ag. Managing Director |
| 3 | Alhaji Sani Dangote | Non-Executive Director |
| 4 | Mr. Olakunle Alake | Non-Executive Director |
| 5 | Ms. Maryam Bashir | Independent Non-Executive Director |
| 6 | Ms. Bennedikter Molokwu | Non-Executive Director |
| 7 | Prof. Konyinsola Ajayi | Non-Executive Director |
| 8 | Mr. Uzoma Nwankwo | Non-Executive Director |
| 9 | Mr. Abdu Dantata | Non-Executive Director |

The Roles & Responsibilities of the Board

The primary responsibilities of the Board are the performance, oversight of affairs and direction of the Company. The Board is responsible for defining the Company's strategic goals and deploying the relevant personnel for the attainment of these goals. Additionally, the Board has supervisory oversight in ensuring that the Company's affairs are run in compliance with the law, its Articles of Association and principles of good corporate governance.

Some of the functions carried out by the Board in the fulfilment of its mandate include:

- a. Defining the vision, goals, objectives and strategic priorities of the Company.
- b. Preparation and presentation of the audited financial statements to the shareholders and ensuring the accuracy and efficiency of the accounting and financial management.
- c. Monitoring the integrity of financial and internal control policies and management information systems.
- d. Reviewing the short, medium and long-term strategic and financial plans; including the review of the Company's annual budget and major risks to the Company.
- e. Considering the recommendations of the Board Governance Committee for the appointment of Directors and recommending same to Shareholders for approval at the General Meeting of the Company.

The Roles of the Officers of the Board

The Chairman of the Board

The Chairman provides overall leadership and direction to the Board. His primary responsibility is to ensure effective operation of the Board such that it works towards achieving the Company's strategic objectives, enhancing shareholder value, including managing stakeholder and development of the Board. He ensures that all members of the Board are fully informed, involved and well trained and that the executives and Management are effective.

The Independent Non-Executive Director

The Independent Director provides objective and independent advice and guidance to the Board on various issues, and ensures that the interests of all stakeholders, including those of minority shareholders, are well considered in decisions taken by the Board.

The Non-Executive Directors

The Non-Executive Directors bring to bear their knowledge and expertise on issues of strategy and performance on the Board. The Non-Executive Directors are not involved in the day-to-day management of the Company, but have unfettered access to the Company Secretary, the Internal Auditor, and other senior Management Staff.

The Ag. Managing Director

The Ag. Managing Director is the Head of Management and is responsible for the day-to-day management of the Company in accordance with the delegated powers of the Board. The Ag. MD has a broad understanding of the Company's business and delegates duties to Management and Management Committees to ensure the implementation of the directives of the Board towards attaining the strategic objectives for sustainable corporate performance.

The Company Secretary

The Company Secretary is accountable to the Board as a whole and advises the Board through the Chairman and the Ag. Managing Director on all matters of governance and ethics, including their duties and responsibilities as well as ensuring compliance with the Companies & Allied Matters Act 2004 (CAMA), Nigerian Code of Corporate Governance (NCCG) 2018, Securities & Exchange Commission Code of Corporate Governance for Public Companies 2011, the Listing Rules of the Nigerian Stock Exchange, the requirements and the Articles of Association of the Company and extant laws, rules, codes, and regulatory circulars amongst others. The Company Secretary assists the Chairman by providing guidance on the mechanisms for induction of new members and the continuing education of the Board.

Appointment to the Board

The Board Governance Committee (BGC) has the primary responsibility for initiating Board appointments. The criteria for the appointment of

members to the Board are laid down in the Board Succession Planning Policy which is through a formal, transparent and rigorous process.

New members are selected based on their wealth of experience, relevant leadership skills, and competence amongst others. The process of Board appointments is well defined and helps to ensure continuity in the operations of the Company thereby enhancing stakeholders' confidence. The process is concluded when the nominees are duly approved by Shareholders at the Annual General Meeting.

Continuing Education for Directors

To empower and equip the Board with skills and attitudes required to perform their challenging tasks and play their role in a transparent, objective and ethical manner, the Board embraces continuing education and training.

Trainings provide an opportunity for Directors to upgrade their knowledge of the Company's business, the operating environment, new legislation and trends that will ensure that their responsibilities are discharged effectively.

During the review period, trainings attended by Board members include a training titled "Rethinking the Role of the Board in a Challenging Nigeria Business Environment," organized by Lagos Business School and a Board Strategy Session and a training titled 'Cybersecurity – What You Must Know' organized by McKinsey & Company.

Induction & Onboarding

The Company has in place a robust Induction and Onboarding Programme to familiarize newly appointed Directors with their role, duties and responsibilities; the Company's business and operations; and the nature of the sugar refinery industry amongst others. The Induction programme include meetings with key officers of the Company, and a tour of the Refinery, Backward Integration Project sites, and the Subsidiaries.

Annual General Meeting Held in 2018

The AGM to consider the Annual Report and the Financial Statements for the year ended December 31, 2018 was held on June 18, 2018

at the Eko Hotel and Suites, Victoria Island, Lagos. The venue of the meeting was accessible, and all shareholders were treated fairly and equitably.

All the resolutions proposed at the meeting were duly carried.

Shareholder's Rights & Investor Relations

The Company publishes investor newsletters and its annual results, quarterly forecasts and interim results on its website at www.dangotesugar.com.ng Other relevant investor information such as questions about shareholding or share certificates, (including the replacement of lost certificates or the consolidation of several certificates into one), or guidance to notify a change of address or to give dividend instructions to a bank account) are provided by the Company's Investor Relations Team. Investors are encouraged to send emails to shareholdersservices@dangotesugar.com.ng or contact our Registrars for answers to their enquiries.

Other relevant investor information such as questions about shareholding or share certificates, (including the replacement of lost certificates or the consolidation of several certificates into one), or guidance to notify a change of address or to give dividend instructions to a bank account) are provided by the Company's Investor Relations Team. Investors are encouraged to send emails to shareholdersservices@dangotesugar.com.ng or contact our Registrars for answers to their enquiries.

Conflict of Interest & Insider Related Transactions

The Board has a policy of openness and transparency. Conflict of Interest situations are well addressed by the Conflict of Interest and Related Party Transaction Policy. Insiders are precluded from buying and selling any security in breach of their fiduciary duty and other relationship of trust and confidence while in possession of material, privileged, non-public and price-sensitive information about the Company.

- Insiders are precluded from engaging in unlawful or improper transfers of assets and profits for their personal benefits or for the benefit of related parties.
- Disclosure of all transactions between

related parties, (natural persons or company) are made to the Board, and controls triggered to ensure that the transactions are carried out at arms-length and on normal market terms.

Whistle Blowing Policy

The Company has an effective whistle-blowing framework pursuant to which its employees and stakeholders can raise their concerns relating to any illegality or unethical behavior, fraud, malpractice or any other activity or event which is against the interest of the Company or society as a whole. The Statutory Audit Committee reviews the Whistle-Blowing Reports and Procedure in line with the approved Whistle-Blowing Policy.

Information on the whistle blowing procedure is available to staff and stakeholders and are published in conspicuous places in the Company's premises. The whistle-blowing facility is managed by an independent Ethics Line Provider, Messrs. KPMG. It has the assurance of confidentiality which is required to protect the identity and interest of the Whistle-blower. The Board ensures that the Whistle-blower is not subject to any detriment on the grounds of the disclosure made.

Code of Conduct & Ethics

The Company's Code of Business Conduct and Ethics commits the Board, Management, employees, contractors, suppliers and the Company's controlled entities to the highest standards of professional and ethical behaviour, business conduct and sustainable business practices.

The Board is responsible for monitoring adherence to the Code of Business Conduct and Ethics to ensure that breaches are effectively sanctioned. The Directors annually attest to the Code of Conduct for Directors and the Anti-Bribery & Corruption Policy which has a zero tolerance for all forms of fraud including but not limited to bribery and corruption, asset misappropriation and financial statements fraud.

Annual Board Evaluation

An independent Consultant, Messrs. DCSL was engaged to conduct the annual Board Evaluation for the 2019 financial year. The assessment of the Board, it's Committees, peer assessment of

individual Directors and governance practices was done in line with the extant Codes of Corporate Governance. A summary of the report will be presented to Shareholders at the Annual General Meeting.

Our Approach to Sustainability - Environmental, Social & Governance (ESG)

At Dangote Sugar Refinery Plc., we are conscious of the environmental, social and governance obligations of our operations and the challenges faced by communities in the areas we operate. Thus, our sustainability approach is driven by a desire to contribute and impact positively towards the development of these communities and the society at large. The Company also focuses on global sustainability principles and regulations which now mandate businesses to look at performance from the triple bottom line (3Ps) perspective of **PEOPLE, PLANET & PROFIT**.

In 2019, we commenced our sustainability reporting journey by embedding the Sustainability Report in the 2018 Annual Report. We have mapped out our 7 Sustainability Pillars which are Institutional, Cultural, Operational, Environmental, Economic, Social and Financial. These pillars have been entrenched in our business operations in line with the Ten Principles of the United Nations Global Compact.

Against the backdrop of our Group Chairman's involvement and commitment to the UN Global Compact Charter, our corporate values and culture integrate with best practices on conduct of business. Our commitment to work with the Federal Government of Nigeria towards eradicating hunger amidst the masses by instituting food security initiatives, is unfettered. In addition to these, our Corporate Social Responsibility initiatives are focused on promoting quality education not only in our immediate host communities but across different regions of the Country.

Consequently, our CSR architecture will continue to promote learning opportunities for all, gender equality and empowerment for women and young girls, availability of portable water, good sanitation for all amongst other inclusive and sustainable initiatives.

Across the Dangote Group, we believe that building a corporate culture of sustainable policies and practices begins and ends with effective employee mobilization and involvement. In addition to the diverse social investments we make in host communities, we also encourage our employees to support community development. We instituted the Annual Dangote Sustainability Week, and during the 2019FY, our theme was "Our Communities, Our Passion – the Dangote Way". During that Week, DSR volunteers, in collaboration with other Dangote Business Units, came out in large numbers to support local communities using their time, skills, and other resources for activities such as community cleaning, career counselling, donations to hospitals, among others. One of the Company's major ESG initiative is the 'Out-growers Scheme'. This is part of the Dangote Sugar Master Plan's employment generation, empowerment and enterprise drive.

The Company works closely with the Nigerian Sugar Development Council (NSDC) and the local farmers through our established cane grower development programmes, to train and develop farmers in the local communities where the Backward Integration Projects are located.

The out-growers are provided with support such as training, technical and financial support, access to fertilizers, protection for the environment, quality seeds, and guaranteed purchase amongst others for a sustainable scheme which impacts the communities and Group positively. There are currently over 420 out-growers in the Scheme, with a land area of almost 450hectares in Numan, Adamawa State.

We will no doubt continue to be visible in the

global campaign for sustainability through continuous collaboration with organizations, Governments and other private sector players.

Proposed Merger with Savannah Sugar Company Limited

The Board of Directors of Dangote Sugar Refinery Plc and Savannah Sugar Company Limited (SSCL) have agreed to undertake a strategic corporate restructuring involving the consolidation of the two companies to operate under one unified entity with DSR as the surviving entity for the purposes of achieving operational, administrative and governance efficiencies which is expected to lead to an increase in shareholder value.

The proposed restructuring will be executed by means of a Scheme of Arrangement pursuant to Section 539 of the Companies & Allied Matters Act, Cap. C20, LFN 2004.

The Scheme will involve the transfer of all of SSCL's assets (including all tax attributes, unutilized capital allowances, tax losses, withholding tax credits and any other tax refunds available, subject to the approval of the Federal Inland Revenue Service), liabilities and business undertakings including real property and intellectual property rights to DSR, and following this, SSCL will be dissolved without being wound up.

The scheme of arrangement is expected to be completed during the 2020 financial year.

Board Meetings

During the review period, there were seven (7) meetings of the Board of Directors. The agenda for each meeting and the supporting Board

Board of Directors Meetings Attendance

| S/N | DIRECTORS | ATTENDANCE | | | | | | |
|-----|---------------------------------------|------------|---------|----------|---------|---------|---------|--------|
| | | JAN 29 | APRIL 1 | APRIL 26 | JUNE 18 | JULY 24 | OCT. 25 | DEC. 7 |
| 1. | Alhaji Aliko Dangote, GCON (Chairman) | ✓ | ✓ | ✓ | ✓ | * | ✓ | ✓ |
| 2. | Alhaji Sani Dangote | * | * | * | * | * | * | * |
| 3. | Mr. Olakunle Alake | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. | Alhaji Abdu Dantata | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. | Ms. Bennedikter Molokwu | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. | Ms. Maryam Bashir | ✓ | * | ✓ | ✓ | ✓ | * | ✓ |
| 7. | Prof. Konyinsola Ajayi, SAN | ✓ | ✓ | ✓ | ✓ | ✓ | * | ✓ |
| 8. | Mr. Uzoma Nwankwo | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

*Alhaji Sani Dangote was on Medical leave during the 2019FY

BOARD COMMITTEES

The Committees of the Board as at December 31, 2019 were as follows:

- Board Governance Committee
- Board Finance Committee
- Board Risk Management & Assurance Committee

Board Governance Committee (BGC)

The primary purpose of the Governance Committee is to exercise oversight on all governance matters and to ensure that the procedures for appointments to the Board are formal and transparent. To that end, the main functions of the Governance Committee are:

- Reviewing the structure, size and composition of the Board annually, and making recommendations on proposed changes.
- Advising the Board on staff welfare matters such as benefits, pensions, human resource issues in accordance with relevant laws and regulations.
- Ensuring that a Succession Plan and Policy exist for the positions of Chairman and CEO, Executive and Non-Executive Directors and Senior Executives of the Company and its subsidiary companies Executive Management.
- Ensuring that periodic evaluation of the Board and the Company's corporate governance practices is conducted in line with the extant Governance Codes.
- Ensuring that the Company has a formal programme for the induction and training of Directors.
- Establishing an effective system for monitoring compliance with the various corporate governance codes and practices. The Committee ensures that the Company's robust Corporate Governance Framework which includes policies such as the Complaints Management Policy, Insider Trading Policy, Whistle-Blowing Policy, Conflict of Interest Policy, Succession Planning Policy, and Board Training Policy amongst others is well implemented.

The schedule of the composition of the

Committee and meeting attendance is as follows:

| S/N DIRECTORS | | ATTENDANCE |
|---------------|--|------------|
| | | May 15 |
| 1. | Prof. Konyinsola Ajayi, SAN (Chairman) | ✓ |
| 2. | Mr. Uzoma Nwankwo | ✓ |
| 3. | Ms. Maryam Bashir | ✓ |

Board Finance Committee (BFC)

The Board Finance Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to strategic, financial and corporate development matters. Its terms of reference include the following:

- Monitoring the Company's financial performance against the annual estimates of income and expenditure.
- Recommending strategic projects to the Board for raising capital and ensuring the preparation of a capital budget against which projects can be prioritized and funding sources identified.
- Reviewing the Company's financial policies, capital structure, matters affecting the capital like mergers and acquisitions, divestments and acquisitions, and major acquisitions and disposals.
- Monitoring the financial performance of the Company's Subsidiaries.
- Providing guidance in the management of the Company's Sustainability and Corporate Social Responsibility (CSR) activities and ensuring transparency of CSR activities.

During the period, the Committee was proactive in the monitoring of the Company's subsidiaries and BIPs. It also proposed the strategic corporate restructuring involving the consolidation of the Company with one of its subsidiaries – Savannah Sugar Company Limited (SSCL), to operate under one unified entity, for synergy, increased profitability and shareholders value amongst others.

The schedule of the composition of the Committee and meeting attendance is as follows:

| S/N | DIRECTORS | ATTENDANCE | | | | | |
|-----|-------------------------|------------|-------------|-------------|------------|-----------|----------|
| | | JAN 24 | MARCH 27 | APRIL 24 | JULY 17 | OCT 18 | DEC 7 |
| 1. | Ms. Bennedikter Molokwu | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. | Mr. Olakunle Alake | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. | Alhaji Abdu Dantata | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. | Ms. Maryam Bashir | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Board Risk Management & Assurance Committee (BRMAC)

The Board Risk Management and Assurance Committee is established to ensure oversight by the Board of Directors regarding the risk appetite and risk tolerance levels of the Company and provide assurance of the process and system of internal control. Its major terms of reference include the following:

Risk Management Oversight

- Oversight of the establishment and implementation of a Risk Management framework and guidelines.
- Reviewing the effectiveness of that Risk Management framework in identifying and managing risks and ensuring that appropriate controls are in place to address the risks identified.
- Review of the Company's compliance with applicable laws and regulatory requirements which may impact its risk profile.
- Review the Company's Information Technology (IT) data governance framework to ensure that IT data risks are adequately

mitigated.

Assurance Oversight

- Ensuring the preparation, completeness and accuracy of financial statements and overseeing the proper disclosure of its financial information.
- Review significant accounting and reporting issues, proposed adjustments and areas of judgment involved in the compilation of the Company's results.
- Review the effectiveness of the Internal Audit function and ensure that the internal audit scope covers the review of the system of internal control.
- Assess the qualifications and independence of the external auditors.

During the period the Committee assumed the responsibility for the oversight of the Company's Information Technology and Data Governance Framework. The Committee also put the necessary safeguards to limit impairments to independence or objectivity of the Internal Control and Internal Audit functions.

Board Risk Management & Assurance Committee - Composition & Meetings

| S/N | DIRECTORS | ATTENDANCE | | |
|-----|-----------------------------|------------|---------|--------|
| | | MAY 16 | JULY 19 | NOV 22 |
| 1. | Mr. Uzoma Nwankwo | * | ✓ | ✓ |
| 2. | Ms. Bennedikter Molokwu | ✓ | ✓ | ✓ |
| 3. | Mr. Olakunle Alake | ✓ | ✓ | ✓ |
| 4. | Ms. Maryam Bashir | ✓ | ✓ | ✓ |
| 5. | Prof. Konyinsola Ajayi, SAN | ✓ | ✓ | ✓ |

Statutory Audit Committee (SAC)

The Statutory Audit Committee was established in accordance with the provisions of the Companies & Allied Matters Act, and its functions are as prescribed under Section 359(6) of the Act. The Statutory Audit Committee has responsibility for the following:

- Ascertain whether the accounting and reporting policies of the Company are in accordance with the legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings on management matters in conjunction with the external auditors and Management responses thereon.
- Keep under review the effectiveness of the Company's system of accounting and internal control.

- Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company.

- Authorize the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

The Committee is composed of an equal number of Non-Executive Directors and Ordinary Shareholders elected at the Company's Annual General Meeting. The Chairman of the Committee is an Ordinary Shareholder.

During the period, the Committee monitored the implementation of the recommendations of the external Auditors contained in their Management Letter, and ensured that all the recommendations were fully implemented.

The schedule of the committee composition and meeting attendance is as follows:

Statutory Audit Committee - Composition & Meetings Attendance

| S/N | DIRECTORS | ATTENDANCE | | |
|-----|------------------------------|------------|--------|--------|
| | | APRIL 9 | OCT 14 | DEC 11 |
| 1. | Mr. Olusegun Olusanya | ✓ | ✓ | ✓ |
| 2. | Mr. Olakunle Alake | ✓ | ✓ | ✓ |
| 3. | Ms. Bennedikter Molokwu | ✓ | ✓ | * |
| 4. | Prof. Konyinsola Ajayi, SAN | ✓ | ✓ | ✓ |
| 5. | Hadjia Muheebat Dankaka, OON | ✓ | ✓ | ✓ |
| 6. | Mallam Dahiru Ado | ✓ | ✓ | * |

Remuneration of Directors

The Board ensures that the Company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Only Non-Executive Directors are paid Annual Fees as well as Sitting Allowances for attendance at Board and Committee meetings, they are however not

entitled to be paid performance-based compensation.

The schedule of Annual Fees and Sitting Allowances paid to Non-Executive Directors for the year ended December 31, 2019 is as follows:

| S/N | ANNUAL FEES | N |
|-----|-------------------------------------|-----------|
| 1. | Board Chairman | 5,000,000 |
| 2. | Non-Executive Directors | 4,000,000 |
| 3. | Independent Non-Executive Directors | 4,000,000 |

| S/N | SITTING ALLOWANCES | N |
|-----|---|---------|
| 1. | Board Chairman | 500,000 |
| 2. | Board of Director's Meetings (for NEDs) | 400,000 |
| 3. | Board Committee Meetings (for NEDs) | 300,000 |

The Impact of the COVID-19 Pandemic on Our Business

The COVID-19 global pandemic is an unprecedented event that has impacted everyone, every organisation and every Government.

As a responsible corporate citizen, and particularly one involved in sugar refining business, we have a recognised and important role to play in this crisis. The safety of our employees, customers, partners, consumers and products remains our highest priority.

As such, we are actively supporting the initiatives of the World Health Organisation (WHO), the Federal and State Governments, and the Nigeria Centre for Disease Control (NCDC) in the following ways:

- We deployed global best practice precautionary and hygiene measures at all our locations, including strict sanitation protocols, temperature checks, social distancing, travel restrictions and deployed remote/smart

working tools for some of our employees who are able to work from home.

- We implemented appropriate contingency and business continuity plans in order to ensure that our refinery and supply chain remain fully operational.
- We ensure that staff working onsite are adequately equipped with personal protective equipment necessary for protection against the spread of the virus. Hand sanitizing dispensers were installed at strategic points in and around our business locations.
- We continuously keep our workforce well informed and updated on news relating to the pandemic through our Corporate Communications platform.

Our supply chain remained operational during the national emergency, although there were slight delays to our usual turn-around time due to the lockdown in various States, border closures, and other circumstances.

We continue to produce and deliver safe and wholesome Sugar brands as we monitor the COVID-19 pandemic and its impact, and comply with all regulatory directives.

Statement of Compliance with the Securities & Exchange Commission's Code of Corporate Governance for Public Companies, 2011 & Nigerian Code of Corporate Governance 2018.

The Directors are responsible for ensuring compliance with the extant Codes of Corporate Governance. The Board has reviewed both the Nigerian Code of Corporate Governance 2018 and the Securities & Exchange Commissions' Code of Corporate Governance for Public Companies 2011 and is satisfied that the Company has achieved significant improvement in its compliance with their provisions.

During the review period, there were no fines or penalties imposed on the Company by Regulators. The Board will continue to closely monitor the Company's compliance with best governance practices with a view to improving its governance practices.

Complaint Management Policy

Dangote Sugar Refinery Plc. has a Complaint Management Policy to address complaints arising out of the issues under the Investment and Securities Act (ISA) 2007, the Rules and

Regulations of the Securities & Exchange Commission made pursuant to the ISA and other extant guidelines.

The Policy is to promote and facilitate increased investor confidence in the Company through the prompt and efficient management of complaints. The Policy is available in the Investor Portal of the Company's website.


Insider Trading Policy

In compliance with the Rules of the Nigerian Stock Exchange, we have put in place an Insider Trading Policy to guide Directors, Employees, External Advisers, and related parties on trading in the securities of the Company during the closed period.


The Policy objective is to ensure that all the Company's employees, Directors, and related parties maintain utmost secrecy and confidentiality regarding all information which they receive as a result of their position within the Company. The Policy provides that during the closed period, Insiders are not allowed to trade in the securities of the Company.

We confirm that no Director or their related parties traded in the securities of the Company within the closed period.

Approved by the Board of the Company on the 22nd day of May, 2020.



Chairman



TEMITOPE HASSAN
COMPANY SECRETARY/LEGAL ADVISER
FRC/2017/NBA/00000016669

Board of Directors



ALIKO DANGOTE, GCON
Chairman

Aliko Dangote is the Founder, President/Chief Executive of the Dangote Group, and Chairman, Dangote Sugar Refinery Plc, Board of Directors. Dangote Group is the largest conglomerate in West Africa with presence in 17 African countries and is currently building the largest petroleum refinery, petrochemical and fertilizer complex in Africa. He has been conferred with several awards in recognition of his contributions to the socio-economic development and growth of the Nigerian economy, and philanthropy around the world. Aliko Dangote serves on various Boards, Foundations, Institutes and Committees across the continent and the world at large. He was listed in the TIME Magazine among its 100 Most Influential People in the World; emerged The Bloomberg 50, a yearly, multi-platform initiative that honors 50 icons and innovators who have changed the global business landscape in measurable ways. Aliko Dangote holds a Business Studies degree from Al-Azhar University Cairo, Egypt.



RAVINDRA SINGH SINGHVI
Ag. Managing Director

Ravindra Singh Singhvi is the Ag. Managing Director of Dangote Sugar Refinery Plc, He was the Chief Operating Officer until his appointment as the Ag. Managing Director on the 18th of June 2019. Mr. Singhvi has over 37 years of proven experience in leadership positions in Manufacturing and Processes in Sugar, Petrochemicals, Cement, Textiles products industries in India. Mr. Singhvi is a Chartered Accountant with background in Company Secretary ship and General Management. He possesses a Bachelor's Degree in B.Com (Hons) and Law(I) from the University of Jodhpur, India. Prior to joining Dangote Sugar Refinery Plc, Mr. Singhvi was the Managing Director & CEO of NSL Sugar Limited, Hyderabad, India, Managing Director, EID Parry (1) Limited, Chennai, India, one of top three sugar producing companies in India.



ALHAJI SANI DANGOTE
Non-Executive Director

Sani Dangote is the Vice President and a co-founder of the Dangote Industries Limited. He is an established businessman with investments in key sectors of the economy including manufacturing, agriculture, banking, and oil services. Alhaji Sani, also sits on the Board of several companies including Dangote Cement, Dangote Agro Sacks, Dangote Refinery, Petrochemical and Fertilizer Company etc. He is the Chairman of Dansa Holdings, with several Strategic Business Units in key sectors of the economy: Agriculture, Oil and Gas, Food and Beverage etc. He is a Member of several Chambers of Commerce, a Fellow of the Chartered Institute of Shipping of Nigeria, President of the Fertilizer Producers and Suppliers Association as well as the Nigeria Agribusiness Group (NABG).





OLAKUNLE ALAKE
Non-Executive Director

Olakunle Alake is the Group Managing Director of the Dangote Group. He holds a Bachelors’ Degree in Civil Engineering from Obafemi Awolowo University, Ile-Ife (1983) and is a Fellow of the Institute of Chartered Accountants of Nigeria. Mr. Alake started his career with PriceWaterhouse, a firm of Chartered Accountants, in September 1984 and resigned in 1990 to join Liberty Merchant Bank Limited, a financial institution of the Dangote Group, as the Financial Controller. In August 1993, he was appointed Managing Director/Chief Executive of Liberty Merchant Securities Limited. He was the Management Consultant and part of the team that provided turn around services for a smooth take-over of International Trust Bank Plc by the Dangote Group in August 1996. In July 1997, he moved to the Dangote Group as the Financial Controller and Head of Strategic Services. He was appointed to the Board as Executive Director and given the responsibility for the Group strategy in 2001. In January 2007, he was appointed the Chief Operating Officer (COO) of the Group. He was appointed the pioneer Group Managing Director in June 2018.

He has had extensive stints in strategic planning, financial control, business transformation and is now managing the overall transformation of the Dangote Group into a Global Fortune 500 company.

Committee Membership

- Board Finance
- Board Risk Management & Assurance
- Statutory Audit Committee



MR. UZOMA NWANKWO
Non-Executive Director

Uzoma Nwankwo joined the Board in 2007. He has held senior positions in Citicorp North America, Citibank Nigeria, First Bank of Nigeria Plc. He has been Consultant/Lead Advisor to many companies both locally and internationally in the areas of financial management, mergers and acquisitions and business process improvement. He worked in Dangote Industries Limited as an Executive Director, Corporate Finance and Treasury. Mr. Nwankwo has a Master of Science degree in Agricultural Engineering from Michigan State University and a Master of Business Administration with specialization in Financial and International Business Management from University of Michigan, in the United States.

Committee Membership

- Board Risk Management & Assurance (Chairman)
- Board Governance



ALHAJI ABDU DANTATA
Non-Executive Director

Alhaji Abdu Garba Dantata is a Non-Executive Director. He has attended various local and international training, including the famous Kellogg School of Management, United States of America. He had served as the Executive Director, Sales and Marketing at Dangote Group, with the responsibility for coordinating the sales and marketing of all the Groups’ products. He is currently the Group Executive Director, in charge of Logistics. He is a Fellow of the Nigerian Institute of Shipping.

Committee Membership

- Board Finance





MS. BENEDIKTER MOLOKWU DFIoD
Non-Executive Director

Ms. Bennedikter China Molokwu built her early career in Telecommunications and Financial Services after qualifying as a lawyer. She holds a master's degree in international and Comparative Law, with Management and Leadership certificates from top institutions like Citibank, Columbia University, Harvard Business School, IMD, Wharton etc. Ms. Molokwu consistently contributes to the development of Corporate Governance in Nigeria specifically participating in the drafting of three Codes including the SEC Code of Corporate Governance (2011) and the Nigerian Code of Corporate Governance (2018). She had been President of the Institute of Directors (IoD) and is Member of the Nigerian Bar Association, International Federation of Women Lawyers (FIDA). She had served in several capacities at the State and Federal Government levels. Ms. Molokwu brings over forty years' experience to bear on a portfolio of multi-sectorial Boards and is active on the Board of Dangote Sugar Refinery Plc where she chairs the Finance Committee.

Committee Membership

- Board Finance (Chairperson)
- Board Risk Management & Assurance
- Statutory Audit Committee



PROF. KONYINSOLA AJAYI, SAN
Non-Executive Director

Konyinsola Ajayi is a leading senior advocate and the Managing Partner of the law firm, Olaniwun Ajayi LP. He has been Legal Counsel in Nigeria since 1980 and has over 39 years of legal experience in Energy and Natural Resources, International Business Transactions, Banking, Capital Markets, Construction and Engineering, Privatization as well as Litigation and Arbitration. He is a Member of the International Bar Association, London, the Nigerian Bar Association, and the Nigerian Economic Summit Group. Prof. Ajayi, SAN is the Chairman of the Governance Committee.

Committee Membership

- Board Governance (Chairman)
- Board Risk Management & Assurance
- Statutory Audit Committee



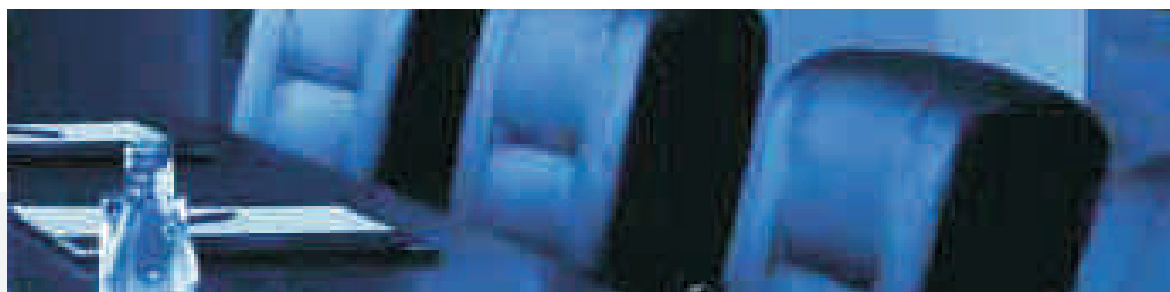
MS. MARYAM BASHIR
Independent Non-Executive Director

Maryam Bashir was appointed to the Board in December 2013. She has over 20 years of financial and banking experience which she brings to bear in her capacity as Independent Non-Executive Director. Ms. Bashir holds a BSc. in Business Administration from Ahmadu Bello University, Zaria (1983), and a Master of Business Administration degree in Finance from University of Jos (1990). She has also attended several trainings locally and abroad. She was a Director on the Board of UBA Capital and Trust Limited and has also served on the Board of companies in the Technology and Financial services sectors.

Committee Membership

- Board Governance
- Board Finance
- Board Risk Management & Assurance





In compliance with the Companies & Allied Matters Act, Cap 20, Laws of the Federation of Nigeria 2004, the Directors of Dangote Sugar Refinery PLC (DSR) are pleased to present to members the Audited Financial Statements of the Company for the year ended 31 December 2019.

Corporate Structure and Business

Dangote Sugar Refinery PLC was established in 1999 and commenced its sugar business in 2000 as a division within the Dangote Group held through its holding company, Dangote Industries Limited (DIL). Following a strategic decision of DIL to unbundle its various operations, DSR was incorporated as a public limited liability company in 2005. The restructuring was completed in January 2006, following the court sanction of the scheme of arrangement wherein all the assets, liabilities and undertakings of the erstwhile sugar division of DIL were transferred to DSR.

Principal activities

DSR's principal business activity is the refining of raw sugar to produce fortified and non-fortified granulated white sugar. The Company distributes refined white sugar to consumers and industrial customers in Nigeria and exports its products to other West African countries, benefitting from the strategic location of its refinery in Apapa near the largest port in Lagos. DSR has its Headquarters in Lagos, Nigeria and has installed capacity of 1.44 million MT per annum.

The Company began its Backward Integration Project (BIP) with a 10-year sugar development plan, to produce 1.5 million MT/PA of sugar from locally grown sugarcane. The Project has commenced with its acquisition, rehabilitation and expansion of Savannah Sugar Company Limited (SSCL) at Numan, in Adamawa State, as

well as four other BIP sugar companies; Dangote Taraba Sugar Limited, Dangote Adamawa Sugar Limited, Nasarawa Sugar Company Limited and Dangote Niger Sugar Limited.

DSR was listed on the Nigerian Stock Exchange (NSE) in March 2007 following an initial public offering of its shares by way of an offer for sale in 2006. It currently has over 99,000 diverse Shareholders and a Shareholders' Fund in excess of N163bn.

Proposed scheme of arrangement between Dangote Sugar Refinery Plc and Savannah Sugar Limited

During the course of the year, the Boards of Directors of DSR and Savannah Sugar Company Limited (SSCL) agreed in principle, to undertake a strategic corporate restructuring involving the consolidation of DSR and SSCL, to operate under one unified entity, with DSR as the surviving entity.

The purpose of the restructuring is to create additional value for shareholders deriving from operational and financial synergies as well as administrative efficiencies which will result in increased profitability for the enlarged DSR. The restructuring will also provide strategic opportunities and benefits for the Enlarged DSR, its employees and other stakeholders.

The proposed restructuring will be executed through a Scheme of Arrangement pursuant to Section 539 of the Companies & Allied Matters Act, Cap. C20, LFN 2004, and will result in an enlarged DSR as the surviving entity while SSCL will be dissolved without being wound up.

This will be proposed to shareholders for approval at the Annual General Meeting (AGM)

The changes to DSR's authorised and issued share capital since incorporation are summarized below:

| Year | Authorised (N) | | Issued & Fully Paid-up (N) | | Consideration |
|------|----------------|---------------|----------------------------|---------------|-----------------------|
| Date | Increase | Cumulative | Increase | Cumulative | |
| 2004 | 50,000,000 | 50,000,000 | 500,000 | 500,000 | Cash |
| 2006 | - | 50,000,000 | 49,500,000 | 50,000,000 | Scheme Shares |
| 2006 | 5,950,000,000 | 6,000,000,000 | 4,950,000,000 | 5,000,000,000 | Bonus and Stock Split |
| 2008 | | 6,000,000,000 | 1,000,000,000 | 6,000,000,000 | Bonus |

SHAREHOLDING STRUCTURE
Analysis of Shareholding as at 31st December 2019

The Authorised Share Capital of the Company is ₦6,000,000,000.00 comprising of 12,000,000,000 Ordinary Shares of N0.50 each, which are all issued and fully paid up.

| Range (Units) | | | No of Holders | Holders % | Units | Units % |
|---------------|---|----------------|---------------|---------------|-----------------------|---------------|
| 1 | - | 10,000 | 84,323 | 85.12 | 181,101,722 | 1.51 |
| 10,001 | - | 50,000 | 11,400 | 11.51 | 234,250,122 | 1.95 |
| 50,001 | - | 500,000 | 2,990 | 3.02 | 362,169,947 | 3.02 |
| 500,001 | - | 1,000,000 | 144 | 0.15 | 104,893,874 | 0.87 |
| 1,000,001 | - | 10,000,000 | 163 | 0.16 | 444,259,579 | 3.70 |
| 10,000,001 | - | 50,000,000 | 32 | 0.03 | 631,928,864 | 5.27 |
| 50,000,001 | - | 100,000,000 | 8 | 0.01 | 563,851,904 | 4.70 |
| 100,000,001 | - | 500,000,000 | 4 | 0.00 | 702,002,693 | 5.85 |
| 500,000,001 | - | 12,000,000,000 | 2 | 0.00 | 8,775,541,295 | 73.13 |
| | | | 99,066 | 100.00 | 12,000,000,000 | 100.00 |

As at December 31, 2019, the 12,000,000,000 Ordinary Shares of N0.50 each in the issued Ordinary Share Capital of DSR are beneficially held as follows:

| Shareholder | No. of Ordinary Shares Held | Percentage (%) |
|----------------------------|-----------------------------|----------------|
| Dangote Industries Limited | 8,122,446,281 | 67.69 |
| Alhaji Aliko Dangote | 653,095,014 | 5.44 |
| Other Shareholders | 3,224,458,705 | 26.87 |
| TOTAL | 12,000,000,000 | 100.00 |

*Except as stated above, no shareholder holds more than 5% of the issued share capital of the company.

OPERATING RESULTS

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2018 ₦Million | 2019 ₦Million | 2018 ₦Million | 2019 ₦Million |
| Revenue | 161,085.8 | 150,373.1 | 158,104.6 | 146,549.2 |
| Gross Profit | 38,285.2 | 39,685.4 | 40,334.2 | 41,959.2 |
| Gross Margin (%) | 23.8% | 26.4% | 25.5% | 28.6% |
| EBITDA | 35,568.7 | 37,599.9 | 39,063.4 | 39,509.6 |
| EBITDA Margin (%) | 22.1% | 25.0% | 24.7% | 27.0% |
| Profit before taxation | 29,820.4 | 34,601.1 | 34,829.2 | 38,455.5 |
| Taxation | (7,459.2) | (12,624.6) | (10,726.4) | (12,624.6) |
| Profit for the year | 22,361.3 | 21,976.5 | 24,102.8 | 25,830.9 |
| Profit attributable to Non-controlling Interest | (87.1) | (192.7) | - | - |
| Profit attributable to owners of the Parent | 22,448.4 | 22,169.2 | 24,102.8 | 25,830.9 |
| EPS – (Naira) | 1.87 | 1.85 | 2.01 | 2.15 |

Dangote Sugar Refinery PLC's outlook for 2019 and beyond shows confidently, that the Company will continue operational existence for the foreseeable future as at the time when the Consolidated Financial Statements were approved. There is no known threat to the going

concern status of the enterprise.

Board of Directors

The following were Directors of the Company who served during the period under review:

| S/N | DIRECTOR | ROLE |
|-----|-----------------------------|------------------------------------|
| 1 | Alhaji Aliko Dangote (GCON) | Chairman |
| 2 | Mr. Ravindra Singhvi | Managing Director (Acting) |
| 3 | Alhaji Sani Dangote | Non-Executive Director |
| 4 | Mr. Olakunle Alake | Non-Executive Director |
| 5 | Mr. Abdu Dantata | Non-Executive Director |
| 6 | Ms. Bennedikter Molokwu | Non-Executive Director |
| 7 | Ms. Maryam Bashir | Independent Non-Executive Director |
| 8 | Prof. Koyinsola Ajayi SAN | Non-Executive Director |
| 9 | Mr. Uzoma Nwankwo | Non-Executive Director |

The Directors' biographical details appear on pages 79 to 81 of this report. As at the last Annual General Meeting, there was no change in the Board Composition of DSR PLC. The appointment of Directors is governed by the Company's Articles of Association, the Board Appointment Policy and the Company Allied Matters Act, CAP 20.

Appointment of Acting Managing Director

During the period, Mr. Ravindra Singhvi was appointed as Managing Director in acting capacity, and oversees the day-to-day operations of the Company.

Retirement of Directors

In accordance with Article 62(b) & (c) of the Company's Articles of Association, the Directors retiring by rotation are Prof. Konyinsola Ajayi, Mr. Olakunle Alake and Ms. Maryam Bashir, and being eligible, offer themselves for re-election.

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

Directors' Fees

The Annual Fees for the Chairman is proposed at N5million, while the fees for other Directors is proposed at N4million. Only Non-Executive Directors are entitled to Annual fees. A resolution will be proposed to approve the

payment of these amounts for the 2020 financial year.

Directors Code Conduct & Ethics

The Company has a code of conduct and ethics for Directors business which sets out the standards that Directors are expected to adhere to while conducting their fiduciary duties.

Corporate Governance

The Board of Dangote Sugar Refinery PLC is committed to achieving sustainable long-term success and ensuring the implementation of best practice in corporate governance principles and implementation within the Company. This commitment plays an integral part in ensuring consistency and rigour in decision-making to ensure shareholders continue to receive maximized value from their investments.

The Company prides as leading its peers in the industry. The Company is committed to conducting business in line with best practice, in accordance with applicable laws and regulations in Nigeria, the requirements of The Nigeria Stock Exchange, the Securities & Exchange (SEC) Code of Corporate Governance for Public Companies in Nigeria 2011 as well as the Nigerian Code of Corporate Governance 2018. The Company complied with these Corporate Governance requirements during the year under review.

Fixed Assets

Details of changes in fixed assets during the year are shown in Note 16 to the financial statements. In the opinion of Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

Statement of Directors' Responsibilities for Financial Statements

In compliance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act CAP 20 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and the profit or loss for that year.

In so doing they ensure that:

- i. Adequate internal control procedures are instituted to safeguard the assets, prevent and detect frauds and other irregularities.
- ii. Proper accounting records are maintained.
- iii. Applicable accounting standards are

adhered to.

- iv. Suitable accounting policies are adopted and consistently applied.
- v. Judgments and estimates made are reasonable and prudent and;
- vi. The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Statement of Affairs

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the reporting date which would affect the financial statement as presented.

Direct & Indirect Interest of Directors

The direct interest of Directors in the issued share capital of the Company as stated in the Register of Directors Shareholding and as notified by the Directors, in compliance with Sections 275 and 276 of the Companies and Allied Matters Act (CAMA) and the listing requirements of The Nigerian Stock Exchange is as follows:

| S/N | DIRECTOR | 31ST DECEMBER 2018 | 31ST DECEMBER 2018 |
|-----|-----------------------------|--------------------|--------------------|
| 1 | Alhaji Aliko Dangote (GCON) | 653,095,014 | 653,095,014 |
| 2 | Alhaji Sani Dangote | Nil | Nil |
| 3 | Mr. Olakunle Alake | 7,194,000 | 7,194,000 |
| 4 | Ms. Maryam Bashir | Nil | Nil |
| 5 | Ms. Bennedikter Molokwu | 1,483,400 | 1,483,400 |
| 6 | Prof. Koyinsola Ajayi | Nil | Nil |
| 7 | Mr. Uzoma Nwankwo | 384,692 | 384,692 |
| 8 | Mr. Abdu Dantata | 1,044,000 | 1,044,000 |

Directors' Interest in Contracts

In compliance with Section 277 of CAMA, all contracts with related parties during the year were conducted at arm's length. Information relating to related party transactions are contained in Note 35 of the Financial Statements.

EMPLOYMENT & EMPLOYEE RELATIONSHIP

a. Employment and Employees

Dangote Sugar Refinery PLC had a total of 1,616

staff as at December 31, 2019. The Company reviews its employment policy in line with the needs of business, and remains an equal opportunities employer, with policies that prohibit discrimination against gender, race, religion or disability to its existing and potential employees. The Company focuses on attracting and retaining outstanding talents, that will add value and ensure that all stipulated high-performance indices are met.

b. Health, Safety and Environment

The Company enforces strict health and safety rules and practices in the work environment. It maintains a high standard of hygiene in all its premises through maintaining bespoke sanitation practices and the regular fumigation exercises, which have been enhanced by the installation of pest and rodent control gadgets. Fire-fighting prevention and drills are carried out periodically, while fire-fighting equipment and alerts have been installed in the offices and plants. In addition, personal protective equipment (PPE) are provided for individual employee to enhance safety measures while at work.

Health, Safety and Environment workshops amongst others are organized for all employees with a broad focus on good housekeeping to ensure a safe working environment. The Company provides fully paid nutritionally balanced meals for staff in the canteen. It regularly updates its staff on current issues as they relate to diseases including HIV/AIDS, High Blood Pressure and other serious diseases through health talks, health assessments and information sharing. Safety awareness /campaign was also instituted during the outbreak of the COVID-19 pandemic which generated worldwide concerns in early 2020.

c. Employee Training and Development

The Company places premium on its human capital development for improved efficiency of the business and maintenance of a strategic manpower advantage over competition. During the year under review, the Company invested in the training and development of its workforce through in-house and external training programmes locally and overseas across all job functions. Employees were also encouraged to develop themselves to their full potentials. Furthermore, employees are updated with developments in the Company through Internal Communication.

d. Industrial/Employees Relations

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them and the various factors affecting the performance of the Company. This is achieved through

Management's open-door policy and improved communication channels. The relationship between Management and the in-house employee Unions remains very cordial. Regular dialogue takes place at informal and formal levels, and the Unions help to foster employee motivation and welfare initiatives.

e. Employment of Physically Challenged Persons

Dangote Sugar Refinery PLC is an equal opportunity employer. It appreciates the fact that physically challenged people can participate in, and contribute to society in all aspects of life. It therefore provides equal opportunities for disabled persons, ensuring that there is no discrimination against them on recruitment for employment, determination of salaries, promotion and other benefits. The Company also considers of utmost importance, the welfare and rehabilitation of staff members who may unfortunately become disabled during the course of their duties. Currently, there are four (4) physically challenged employees in the Company.

f. Staff Welfare

The Company has retainership agreement with several private hospitals for its employees' health management. The Company provides subsidy to employees in respect of transportation, lunch, housing and health care. Incentive schemes include bonuses, promotions and wage review.

g. Retirement Benefits

In line with the provisions of the Pension Reform Act of 2014, the Company operates the uniform contributory pension scheme for all employees, the scheme is funded by the employees and DSR's contributions of 10% each, of the employees' monthly basic, housing and transport allowances, and remitted monthly to the employee's choice Pension Fund Administrator.

DONATIONS & CHARITABLE GIFTS

Dangote Sugar Refinery PLC identifies with the causes and aspirations of its operational environment by supporting charitable and worthy causes in the areas of education, health, skills acquisition, poverty alleviation and sports amongst others. During the year under review, the beneficiaries are as follows:

| S/N | BENEFICIARIES | AMOUNT |
|------------|--|-------------------|
| 1 | St Saviour's School Ikoyi · Sponsorship of Fun day | 3,000,000 |
| 2 | Indian Women Association· golden jubilee fund raising event | 200,000 |
| 3 | Maritime Workers Union of Nigeria-May day (2019) sponsorship | 200,000 |
| 4 | AYD Football Club | 100,000 |
| 5 | Sponsorship of the Lagos State 2019 World Food Day Celebrations | 2,488,575 |
| 6 | National Agricultural Foundation of Nig-co-sponsorship of the 2019 National Agricultural Show | 2,000,000 |
| 7 | Sponsorship of Kaduna Polo Club Tournament 100 years Anniversary | 150,000 |
| 8 | Independent Shareholders Association of Nigeria annual meeting | 200,000 |
| 9 | Donation for NAFDAC Silver Jubilee Celebration & Book Launch | 5,000,000 |
| 10 | Sarah Adebisi Foundation - 2019 Annual Food For all Program | 2,000,000 |
| 11 | Items for DSR' Charity day | 229,500 |
| 12 | National Union of Hotels & Personal Service Workers Lagos Motorboat Club-sponsorship of 2019 Christmas Party | 1,000,000 |
| 13 | Kokun Foundation Support (Product Support) | 1,050,000 |
| 14 | Renovation of Dubwantun Primary School Lamurde LGA | 4,810,952 |
| 15 | Completion of Hama Bachama Numan Palace Squash Ground | 2,449,000 |
| 16 | Construction of one block of three classrooms and Administrative Block at GOSS Gyawana | 11,597,208 |
| 17 | Support to Gyawana Zone for CAN Retreat | 210,000 |
| 18 | Support for Numan Police Area Command Office Renovation | 300,000 |
| 19 | Financial Assistance to Nig Police Lamurde Division | 50,000 |
| 20 | Sponsorship of Gyawana youths Annual football Champions League | 100,000 |
| 21 | Support for Shelleng Traditional Council Manjuli Annual Festival | 300,000 |
| 22 | Support for Rehabilitation of Lunguda Traditional Council Palace Guyuk | 2,000,000 |
| 23 | Support for Zakun community annual Vayato wrestling festival | 25,000 |
| 24 | Sponsorship of Bachama Kingdom annual Kwete wrestling festival | 300,000 |
| 25 | Support for Opalo community annual wrestling festival | 25,000 |
| 26 | Medical assistance to Chairman Coalition of Byatiya youths Gyawana | 50,000 |
| 27 | Support for Gyawana Humto annual cultural festival | 50,000 |
| 28 | Support for Gyawana Youth Development Association Executive inauguration | 30,000 |
| 29 | Drilling of 10 (nos) solar powered boreholes in Tunga Community | 18,975,000 |
| 30 | Renovation of 3 Blocks of 3 Classrooms at Government Secondary School Tunga | 25,250,000 |
| | Total | 84,140,235 |

POST BALANCE SHEET EVENTS

There are no post Balance Sheet events that could have effect on the state of affairs of the Company as at December 31, 2019 which have not been adequately provided for or disclosed.

AUDITORS

The Auditors, Messrs. PricewaterhouseCoopers (PwC), having indicated their willingness to continue in office, will do so in accordance with Section 357 (2) of the Companies & Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

A resolution will be proposed at the Annual

General Meeting to authorize the Directors to determine their remuneration.

RETIREMENT OF COMPANY SECRETARY

Mrs. Chioma Madubuko retired from Dangote Sugar Refinery plc as Company Secretary/Legal Adviser with effect from January 2, 2020. Mrs. Temitope Hassan was appointed in her stead and in accordance with Section 295 & 296 of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria, 2004. The material disclosure was published on the Issuer's Portal of the Nigerian Stock Exchange.

BY ORDER OF THE BOARD



TEMITOPE HASSAN,
Company Secretary/Legal Adviser
FRC/2017/NBA/00000016669
3rd Floor, Greenview Development Nigeria Ltd Building
Terminal "E" NPA Complex, Apapa
Lagos, Nigeria
22nd day of May, 2020

DCSL Corporate Services Limited
235 Ikorodu Road Abuja Office:
Ilupeju Suite A05, The Statement Hotel
P. O. Box 965, Marina Plot 1002, 1st Avenue
Lagos, Nigeria Off Shehu Shagari Way
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RC NO. 352393

March 2020

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF DANGOTE SUGAR REFINERY PLC ("Dangote Sugar") FOR THE YEAR-ENDED DECEMBER 31, 2019. DCSL Corporate Services Limited (DCSL) was appointed by Dangote Sugar Refinery Plc ("Dangote Sugar") to carry out an evaluation of the performance of the Board of Directors for the year-ended December 31, 2019 in line with the provisions of **Section 15.6 of the Securities and Exchange Committee (SEC) Code of Corporate Governance for Public Companies ("the Code")**, and **Section 14.1 of the Nigerian Code of Corporate Governance, 2018 ("NCCG")**. The appraisal entailed a review of the Company's corporate and statutory documents, the Minutes of its Board and Committee meetings, policies and other ancillary documents made available to us. We also administered electronic surveys and conducted interviews with the Directors to ascertain the level of the Board's compliance with the provisions of the SEC Code and NCCG, relevant legislation as well as global Best Practice. Our appraisal covered the following seven key corporate governance themes:

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure.

Our review of the corporate governance standards and processes affirm that the Board has complied with the provisions of the SEC Code and NCCG and other relevant corporate governance best practices. The appraisal indicates that individual Directors remain committed to enhancing the Company's growth. Whilst commending the Board for its efforts thus far towards ensuring compliance with the Codes, we have recommended the following:

- ? The Board should undertake an external assessment of the effectiveness of the internal audit function by a qualified independent reviewer in line with the provisions of the SEC Code and NCCG.

Our key findings and other recommendations are contained in our detailed Report.

Yours faithfully,

For: DCSL Corporate Services Limited



Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS
for the year ended December 31, 2019

To the Members of Dangote Sugar Refinery Plc,

In compliance with Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN, 2004, we have reviewed the consolidated and separate Financial Statements of Dangote Sugar Refinery Plc for the year ended 31st December 2019 and hereby state as follows:

- a. We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN, 2004;
- b. We deliberated with the external Auditors, who confirmed that necessary cooperation was received from Management in the course of their

statutory audit and we are satisfied with Management's responses on the Auditors' Memorandum of recommendations, and with the effectiveness of the Company's system of accounting and internal control;

c. The accounting and reporting policies of the Company for the year ended 31st December, 2019 are in accordance with legal requirements and agreed ethical practices, and the scope and planning of both the external and internal audits were adequate in our opinion;

d. In our opinion, the scope and planning of the audit for the year ended 31st December, 2019 were adequate, and the Management Responses to the Auditors' findings were satisfactory.



Mr. Olusegun Olusanya
Chairman, Audit Committee
FRC/2018/ICAN/00000018192

22nd day of May, 2020

Members of the Audit Committee:

1. Mr. Olusegun Olusanya – Chairman/Shareholder
2. Mallam Dahiru Ado - Shareholder
3. Hajia Muheebat Dankaka, OON - Shareholder
4. Mr. Olakunle Alake – Non-Executive Director
5. Prof. Konyinsola Ajayi, SAN – Non-Executive Director
6. Ms. Bennedikter Molokwu – Non-Executive Director

The Directors of Dangote Sugar Refinery Plc are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group and Company as at December 31, 2019, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act Cap C20 LFN 2004, the Financial Reporting Council of Nigeria Act 2011.

In preparing the consolidated and separate financial statements, the Directors are responsible for:

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

The Directors are responsible for:

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

Going Concern

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

The consolidated and separate financial statements of the Group and Company for the year ended December 31, 2019 were approved by the Directors on the 22nd day of May, 2020.

Signed on behalf of the Board of Directors By:



Aliko Dangote, GCON
Chairman
FRC/2013/IODN/0000001766



Olakunle Alake
Non-Executive Director
FRC 2013/NSE/0000002065



Independent auditor's report

To the Members of Dangote Sugar Refinery Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Dangote Sugar Refinery Plc (“the company”) and its subsidiaries (together “the group”) as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Dangote Sugar Refinery Plc’s consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2019;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate 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 Group 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.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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>Valuation of biological assets (N2.1 billion) Biological assets comprise growing sugar cane held for harvesting purposes. In accordance with IAS 41 - Agriculture, they are valued at fair value less cost to sell. We focused on the valuation of the biological assets due to the materiality of the balance and the effect the fair value estimate has on results. Furthermore, the determination of the fair value estimates is complex and involves a significant amount of judgement.</p> <p>The directors have developed a model using the multi-period excess earnings method (MPEEM) under the income approach for the valuation of sugar cane. In order to generate a stream of cash flows to be used in this model, the directors calculate tonnage using information on hectares of farmland planted, the age of growing cane per hectare and the yield rate per hectare.</p> <p>The cane price is then applied on the tonnage and discounted to arrive at the fair value of the sugar cane. The cane price is based on the industry out-grower price.</p> <p>The directors exercise significant judgement in determining the yield rate per hectare, the discount rate, cost of sales, selling and distribution expenses, administrative expenses and contributory assets charges.</p> <p>This is considered a key audit matter in the consolidated financial statements only.</p> <p>See notes 2.17, 3 and 18 to the consolidated and separate financial statements.</p> | <p>We adopted a substantive approach to testing this balance by obtaining and performing audit procedures on the directors' valuation of the biological assets.</p> <p>We challenged the Group's model for calculating the fair value of biological assets by assessing the model against the criteria in IAS 41, Agriculture and IFRS 13, Fair value measurement.</p> <p>We tested the farm information used in the valuation model (such as the yield rate per hectare, hectare of farmland planted and age of growing cane per hectare) by comparing with historical information from the farm and factory reports. Furthermore, we challenged information on yield rate by comparing it against our expectation based on relevant industry data available.</p> <p>We tested the tonnage used in the valuation model by applying the yield rate per hectare on the hectare of farmland planted.</p> <p>We checked the determination of cane price by comparing to the industry out-grower price for the year. We assessed the reasonableness of the discount rate used by the directors by comparing to the independent calculation done by our valuation experts.</p> <p>We assessed the reasonableness of costs of sales, selling and distribution expenses, administrative expenses and contributory assets charges by comparing to historical information and amounts determined based on current work standard.</p> <p>We tested the mathematical accuracy of the valuation model used by the directors and disclosures in the consolidated and separate financial statements for reasonableness.</p> |



Key audit matter

How our audit addressed the key audit matter

Recoverability of deferred tax asset (N10.4 billion)

We focused on this area because of the materiality of deferred tax asset and the significant judgement exercised by the directors in the estimation of the future taxable profit upon which deductible temporary differences or unused tax losses or credits will be applied.

This is considered a key audit matter in the consolidated financial statements only.

See notes 2.7, 3 and 13 to the consolidated and separate financial statements

We adopted a substantive approach to testing the recoverability of deferred tax asset balance. We obtained the cash flow projections and forecast taxable profits used to support the directors' recognition of the deferred tax asset. We challenged the taxable profits forecasts and deferred tax utilization computation

Specifically we:

- tested the taxable profits forecast provided by the directors by challenging the assumptions on the growth rate of taxable and non-taxable transactions income in relation to the historical trends and current business plan;
- used our tax specialists to challenge the directors' assessment of the relative useful lives of the components of the deferred tax asset in line with applicable tax laws. This was done to assess the viability of the director's plan for the recoverability of the deferred tax asset; and
- reviewed the disclosures in the financial statements for reasonableness.

Valuation of trade and other receivables (N26.5 billion)

We focused on this area because of the materiality of trade and other receivables and because the directors make significant and subjective judgement over the timing of recognition and amount of the related loss allowance.

The use of the expected credit loss (ECL) model in assessing loss allowance for financial assets requires significant judgement. The directors have adopted the simplified approach in assessing the loss allowance for trade receivables and the general approach for other receivables. Significant judgement exercised by the directors include:

- definition of default and significant increase in credit risk adopted by the group.
- methodology used to determine the loss rates for the calculation of the lifetime ECL.

We adopted a substantive approach to test this balance. Specifically, we:

- Checked the reasonableness of the criteria identified in the definition of default and significant increase in credit risk.
- Selected a sample of customer accounts to check the sales and settlement pattern used in developing the loss rates.
- Examined the appropriateness of the provision matrix approach used to determine the lifetime ECL based on the requirements of IFRS 9.
- Checked the forward-looking information used in the ECL model to externally available macroeconomic information and assessed reasonableness of the macroeconomic indices used.



- Provision matrix adopted in determining the lifetime ECL.
- Reviewed the disclosures for reasonableness
- incorporating forward looking information in the ECL model.

This is considered a key audit matter in the consolidated and separate financial statements.

See notes 2.12, 3 and 23 to the consolidated and separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises General Information, Report of the Directors, Corporate Governance Report, Report of the Audit Committee, Statement of Directors' Responsibilities, Statement of value added and Five Year Financial Summary (but does not include the consolidated and separate 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 Dangote Sugar Refinery Plc 2019 Annual Report, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we 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 Dangote Sugar Refinery Plc 2019 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 consolidated and separate financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an



auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Report on other legal and regulatory requirements

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.

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Edefe Erhie
FRC/2013/ICAN/00000001143



28 May 2020

**CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

| | Note(s) | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|--|---------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Revenue | 5 | 161,085,778 | 150,373,083 | 158,104,577 | 146,549,176 |
| Cost of sales | 6 | (122,800,548) | (110,687,723) | (117,770,402) | (104,589,978) |
| Gross profit | | 38,285,230 | 39,685,360 | 40,334,175 | 41,959,198 |
| Other income | 11 | 606,263 | 569,237 | 50,440 | 234,074 |
| Selling and distribution expenses | 7 | (813,797) | (978,159) | (810,067) | (969,000) |
| Administrative expenses | 7 | (7,815,370) | (6,793,423) | (5,970,768) | (5,438,193) |
| Impairment gains/(losses) on financial assets | 23.3 | (332,234) | 201,308 | 776,313 | 201,308 |
| Operating profit | 14 | 29,930,092 | 32,684,323 | 34,380,093 | 35,987,387 |
| Finance costs | 10 | (516,210) | (293,243) | (270,868) | (67,127) |
| Finance income/(costs) - net | | (516,210) | (293,243) | (270,868) | (67,127) |
| Investment income | 8 | 720,020 | 2,535,271 | 720,018 | 2,535,270 |
| Fair value adjustment | 9 | (313,472) | (325,294) | - | - |
| Profit before tax | | 29,820,430 | 34,601,057 | 34,829,243 | 38,455,530 |
| Taxation | 12.1 | (7,459,154) | (12,624,589) | (10,726,425) | (12,624,589) |
| Profit for the year | | 22,361,276 | 21,976,468 | 24,102,818 | 25,830,941 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 22,448,353 | 22,169,192 | 24,102,818 | 25,830,941 |
| Non-controlling interest | | (87,077) | (192,724) | - | - |
| | | <u>22,361,276</u> | <u>21,976,468</u> | <u>24,102,818</u> | <u>25,830,941</u> |
| Total comprehensive income for the year | | <u>22,361,276</u> | <u>21,976,468</u> | <u>24,102,818</u> | <u>25,830,941</u> |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 22,448,353 | 22,169,192 | 24,102,818 | 25,830,941 |
| Non-controlling interest | | (87,077) | (192,724) | - | - |
| | | <u>22,361,276</u> | <u>21,976,468</u> | <u>24,102,818</u> | <u>25,830,941</u> |
| Earnings per share | | | | | |
| Basic and diluted earnings per share (Naira) | 15 | <u>1.87</u> | <u>1.85</u> | <u>2.01</u> | <u>2.15</u> |

The accompanying notes on pages 103 to 152 form an integral part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019



| | Note(s) | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|---------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 16 | 82,997,430 | 64,256,114 | 32,706,935 | 29,963,120 |
| Intangible assets | 17 | - | 324 | - | 324 |
| Other assets | 19 | - | 11,605 | - | 11,605 |
| Investment in subsidiaries | 21 | - | - | 3,610,923 | 3,610,923 |
| Deferred tax assets | 13 | 10,440,450 | 7,173,178 | - | - |
| Total non-current assets | | 93,437,880 | 71,441,221 | 36,317,858 | 33,585,972 |
| Current assets | | | | | |
| Inventories | 22 | 38,863,729 | 37,676,080 | 30,194,027 | 31,499,654 |
| Biological assets | 18 | 2,068,992 | 1,840,686 | - | - |
| Trade and other receivables | 23 | 33,779,377 | 41,330,194 | 107,014,317 | 91,025,731 |
| Other assets | 19 | 75,768 | 377,510 | 70,875 | 375,903 |
| Asset held for sale | 20 | 868,642 | 868,642 | 868,642 | 868,642 |
| Cash and cash equivalents | 24 | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |
| Total current assets | | 100,268,036 | 103,675,406 | 161,811,264 | 144,937,739 |
| Total assets | | 193,705,916 | 175,116,627 | 198,129,122 | 178,523,711 |
| EQUITY | | | | | |
| Attributable to owners of Parent company | | | | | |
| Share capital | 25 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Share premium | 25 | 6,320,524 | 6,320,524 | 6,320,524 | 6,320,524 |
| Retained earnings | 26 | 96,258,578 | 87,010,225 | 105,762,420 | 94,859,602 |
| | | 108,579,102 | 99,330,749 | 118,082,944 | 107,180,126 |
| Non-controlling interest | 27 | (442,638) | (355,561) | - | - |
| | | 108,136,464 | 98,975,188 | 118,082,944 | 107,180,126 |
| LIABILITIES | | | | | |
| Non-Current Liabilities | | | | | |
| Deferred tax liabilities | 13 | 5,019,915 | 5,309,997 | 5,019,914 | 5,309,997 |
| Lease liability | 31.1 | 1,710,060 | - | 1,674,014 | - |
| Borrowings | 28 | 1,300,014 | 1,425,543 | - | - |
| | | 8,029,989 | 6,735,540 | 6,693,928 | 5,309,997 |
| Current Liabilities | | | | | |
| Current tax liabilities | 12.3 | 11,116,521 | 12,373,416 | 11,084,421 | 12,341,316 |
| Lease liability | 31.1 | 612,100 | - | 606,622 | - |
| Borrowings | 28 | 45,212 | 45,212 | - | - |
| Trade and other payables | 30 | 63,223,853 | 54,497,731 | 59,304,650 | 51,428,633 |
| Employee benefits | 29 | 980,430 | 969,931 | 798,696 | 794,802 |
| Other liabilities | 31 | 1,561,347 | 1,519,609 | 1,557,861 | 1,468,837 |
| Total current liabilities | | 77,539,463 | 69,405,899 | 73,352,250 | 66,033,588 |
| Total liabilities | | 85,569,452 | 76,141,439 | 80,046,178 | 71,343,585 |
| Total equity and liabilities | | 193,705,916 | 175,116,627 | 198,129,122 | 178,523,711 |

The consolidated and separate financial statements on pages 99 to 156, were approved by the board on May 22, 2020 and were signed on its behalf by:

Alh. Aliko Dangote, GCOM
Chairman
FRC/2013/IODN/00000001766

Mr. Olakunle Alake
Director
FRC/2013/ICAN/00000002214

Mrs. Adebola Falade
Chief Finance Officer
FRC/2016/ICAN/00000015167

The accompanying notes on pages 103 to 152 form an integral part of the consolidated and separate financial statements.

| Company | Share Capital ₦'000 | Share Premium ₦'000 | Retained Earnings ₦'000 | Total ₦'000 | | |
|--|---------------------------|---------------------------|-------------------------------|--|--|--------------------|
| Balance as at 1 January 2018 | 6,000,000 | 6,320,524 | 86,886,834 | 99,207,358 | | |
| Changes on initial application of IFRS 9 (Note 26) | | | (2,858,173) | (2,858,173) | | |
| Balance as at 1 January 2018 (Restated) | 6,000,000 | 6,320,524 | 84,028,661 | 96,349,185 | | |
| Profit for the year | - | - | 25,830,941 | 25,830,941 | | |
| Total comprehensive income for the year | - | - | 25,830,941 | 25,830,941 | | |
| Transaction with owners: | | | | | | |
| Dividend paid | - | - | (15,000,000) | (15,000,000) | | |
| Balance as at 31 December 2018 | 6,000,000 | 6,320,524 | 94,859,602 | 107,180,126 | | |
| Balance as at 1 January 2019 | 6,000,000 | 6,320,524 | 94,859,602 | 107,180,126 | | |
| Profit for the year | - | - | 24,102,818 | 24,102,818 | | |
| Total comprehensive income for the year | - | - | 24,102,818 | 24,102,818 | | |
| Transaction with owners: | | | | | | |
| Dividend paid | - | - | (13,200,000) | (13,200,000) | | |
| Balance as at 31 December 2019 | 6,000,000 | 6,320,524 | 105,762,420 | 118,082,944 | | |
| Group | Share Capital ₦'000 | Share Premium ₦'000 | Retained Earnings ₦'000 | Attributable to owners of parent company ₦'000 | Non- controlling interest ₦'000 | Total ₦'000 |
| Balance as at 1 January 2018 | 6,000,000 | 6,320,524 | 80,577,948 | 92,898,472 | (162,837) | 92,735,635 |
| Changes on initial application of IFRS 9 (Note 26) | | - | (736,914) | (736,914) | - | (736,914) |
| Balance as at 1 January 2018 (Restated) | - | - | 79,841,034 | 92,161,558 | (162,837) | 91,998,721 |
| Profit for the year | - | - | 22,169,191 | 22,169,191 | (192,724) | 21,976,467 |
| Total comprehensive income for the year | - | - | 22,169,191 | 22,169,191 | (192,724) | 21,976,467 |
| Transaction with owners: | | | | | | |
| Dividend paid | - | - | - | - | - | (15,000,000) |
| Balance as at 31 December 2018 | 6,000,000 | 6,320,524 | 87,010,225 | 99,330,749 | (355,561) | 98,975,188 |
| Balance as at 1 January 2019 | 6,000,000 | 6,320,524 | 87,010,225 | 99,330,749 | (355,561) | 98,975,188 |
| Profit for the year | - | - | 22,448,353 | 22,448,353 | (87,077) | 22,361,275 |
| Total comprehensive income for the year | - | - | 22,448,353 | 22,448,353 | (87,077) | 22,361,275 |
| Transaction with owners: | | | | | | |
| Dividend paid | - | - | - | - | - | (13,200,000) |
| Balance as at 31 December 2019 | - | 6,320,524 | 96,258,578 | 108,579,102 | (442,638) | 108,136,463 |

The accompanying notes on pages 103 to 152 form an integral part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019



| | Note(s) | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|--|-----------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Cash flows for operating activities | | | | | |
| Profit for the year before tax | | 29,820,430 | 34,601,057 | 34,829,243 | 38,455,530 |
| Adjustments for non-cash income and expenses: | | | | | |
| Depreciation of property, plant and equipment | 16 | 5,951,794 | 5,238,602 | 4,683,018 | 3,519,930 |
| Amortisation of intangible assets | 17 | 324 | 2,240 | 324 | 2,240 |
| PPE Adjustment | 16 | - | 684,533 | - | 684,353 |
| (Profit)/loss on sale of assets | 11 | 68,634 | - | 68,634 | - |
| Investment income | 8 | (720,020) | (2,535,271) | (720,018) | (2,535,270) |
| IFRS 9 impact | 23.2 & 26 | - | (923,010) | - | (3,044,269) |
| Changes in working capital | | | | | |
| (Increase)/Decrease in Inventory | | (1,187,649) | 9,979,481 | 1,305,627 | 13,279,829 |
| (Increase)/Decrease in biological assets | | (228,306) | 966,018 | - | - |
| Decrease/(increase) in trade and other receivables | | 7,321,940 | (5,893,595) | (16,217,463) | (20,130,185) |
| Decrease/(increase) in other assets | | 313,347 | (33,133) | 316,633 | (31,526) |
| Increase in other liabilities | | 41,738 | 280,563 | 89,024 | 229,791 |
| Increase/(Decrease) in trade payables | | 8,726,122 | (21,155,164) | 7,876,017 | (20,484,707) |
| Increase/(Decrease) in employee benefits | | 10,499 | (14,544) | 3,894 | (11,980) |
| Cash generated from operations | | 50,118,852 | 21,197,777 | 32,234,933 | 9,933,736 |
| Finance cost paid | | 509,077 | - | 263,735 | - |
| Tax paid | 12.3 | (12,273,402) | (17,685,319) | (12,273,402) | (17,685,319) |
| Net cash generated from /(used in) operating activities | | 38,354,527 | 3,512,458 | 20,225,266 | (7,751,583) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 16 | (21,796,759) | (10,765,561) | (4,568,031) | (8,200,357) |
| Proceeds on disposal of property, plant and equipment | | 23,400 | - | 23,400 | 9,627,821 |
| Investment in subsidiaries | 21 | - | - | - | (396,000) |
| Interest income received | 8 | 720,020 | 2,535,271 | 720,018 | 2,535,270 |
| Net cash (used in)/ generated from investing activities | | (21,053,339) | (8,230,290) | (3,824,613) | 3,566,734 |
| Cash flows from financing activities | | | | | |
| Dividends paid | 26 | (13,200,000) | (15,000,000) | (13,200,000) | (15,000,000) |
| Interest paid | | (240,133) | - | - | - |
| Lease Liabilities paid | | (706,292) | - | (705,059) | - |
| Repayment of borrowings | 28 | (125,529) | (67,404) | - | - |
| Net cash used in financing activities | | (14,271,954) | (15,067,404) | (13,905,059) | (15,000,000) |
| Net increase/(decrease) in cash and cash equivalents | | 3,029,234 | (19,785,236) | 2,495,594 | (19,184,849) |
| Cash and cash equivalents at beginning of year | | 21,582,294 | 41,367,530 | 21,167,809 | 40,352,658 |
| Cash and cash equivalents at end of the year | 24 | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |

The accompanying notes on pages 103 to 152 form an integral part of the consolidated and separate financial statements.

Dangote Sugar Refinery Plc (the Company) was incorporated as a Public Limited Liability company on 4 January 2005, commenced operation on 1 January 2006 and became quoted on the Nigerian Stock Exchange in March 2007. Its current shareholding is 68% by Dangote Industries Limited and 32% by the Nigerian public.

The ultimate controlling party is Dangote Industries Limited.

The registered address of the Company is located at GDNL Administrative Building, Terminal E, Shed 20 NPA Apapa Wharf Complex, Apapa, Lagos

The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the Company and its subsidiaries- Savannah Sugar Company Limited, Niger Sugar Company Limited, Taraba Sugar Company Limited, Adamawa Sugar Company Limited and Nasarawa Sugar Company Limited

The separate financial statements for the year ended 31 December 2019 comprise the Company only.

1.1 The principal activity

The principal activity of the Group is the refining of raw sugar into edible sugar and the selling of refined sugar. The Group's products are sold through distributors across the country.

1.2 Going Concern status

The Group has consistently been making profits. The Directors believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on a going concern

1.3 Operating environment

Emerging markets such as Nigeria are subject to different risks than more developed markets, including economic, political and social, and legal legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Nigeria and the country's economy in general.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. These conditions could slow or disrupt Nigeria's economy, adversely affecting the Group's access to capital and cost of capital for the Group and more generally, its business, result of operation, financial condition and prospects.

1.4 Financial period

These financial statements cover the financial year from 1 January 2019 to 31 December 2019 with comparatives for the year ended 31 December 2018.

2 Significant Accounting Policies

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

2.1 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC) of IASB (together "IFRS") that are effective at 31 December 2019 and requirements of the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council (FRC) Act 2011 of Nigeria.

2.2 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis except for the revaluation of biological assets and certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below:

2.3 Consolidation of subsidiaries

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the

date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Group statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment that has been recognised in profit or loss.

2.4 Revenue recognition

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

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

The probability that a customer would make payment is ascertained based on the evaluation done on the customer as stated in the credit management policy at the inception of the contract. The Group is the principal in all of its revenue arrangement since it is the primary obligor in all of 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 and service are transferred to the customer. This occurs when the goods are delivered to the customer and customer's acceptance is received or when goods are picked up by the customers.

Revenue from sale of sugar and molasses 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 one month. Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur.

The delivery service provided by the Group 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 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 group has objective evidence that all criteria for acceptance have been satisfied.

Contract liability is recognised for consideration received for which the performance obligation has not been met.

Disaggregation of revenue from contract with customers

The Group recognises revenue from the transfer of goods at a point in time in the following product lines. The Group derives revenue from the sale of sugar, molasses and freight services

| | Freight services ₦'000 | Sale of sugar ₦'000 | Sale of molasses ₦'000 | Total ₦'000 |
|--------------------------------------|---------------------------|------------------------|---------------------------|----------------|
| Revenue from contract with customers | 2,886,792 | 157,655,375 | 543,611 | 161,085,778 |

2.5 Interest income Recognition

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

2.6 Pensions and Other post-employment benefits

The Group operates a defined contribution based retirement benefit scheme for its staff, in accordance with the amended Pension Reform Act of 2014 with employee contributing 8% and the employer contributing 10% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense in statement of profit or loss when employees have rendered the service entitling them to the contributions.

2.7 Taxation

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

Current tax

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

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates of 30% at the reporting sheet date. Education tax is calculated at 2% of the assessable profits in accordance with the Tertiary Education Tax Act.

Current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current

and deferred tax are recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Upon disposal of an associate that results in the Company losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Company account for all amounts previously recognised in other income in relation to that associate on the assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets and liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustments) when it loses significant influence over the associate.

When the company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interest in the associates that are not related to the Company.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control those policies.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.8 Property, plant and equipment

i. Recognition and measurement

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

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

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

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

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

ii. Subsequent costs

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

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

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

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Buildings | Straight line | 50 years |
| Plant and machinery | Straight line | 15 -50 years |
| Furniture and fixtures | Straight line | 5 years |
| Motor vehicles | Straight line | 4 years |
| Tools and equipment | Straight line | 4 years |
| Computer equipment | Straight line | 3 years |
| Aircraft | Straight line | 25 years |
| Bearer plants | Straight line | 5 years |
| Right-of-Use assets | Straight line | 5-20 years |

Land is not depreciated. Depreciation methods,

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

2.9 Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are

expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised

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

2.10 Inventories

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

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

Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on an average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation (when the time value of money is material).

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows

estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.12 Financial instruments

Financial instruments accounting policy

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments disclosures.

I) Classification and measurement

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. The business models applied to assess the classification of the financial assets held by the company are;

- Hold to collect: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost
- Fair value through other comprehensive income: Financial assets in this category are held to collect contractual cash flows and sell where there

are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.

- Fair value through profit or loss: 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 Dangote Sugar are held to collect contractual cashflows 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 include trade and other receivables, cash and cash equivalents. They are included in current assets, except for 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 and presented in finance income/cost.

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 and interest bearing loans and borrowings.

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 for trade

receivables while the general approach is applied to staff loans, amounts due from related parties that are not trade related, balances with banks.

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 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 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 stage 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 ageing bucket and 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 historical pattern of the receivable, and assessing the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. 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) in Nigeria, inflation and exchange rate, to arrive at an ECL which is then discounted back 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.

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.

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.

Derecognition 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.

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.

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

2.13 Earnings per share

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

2.14 Functional and presentation currency

Items included in the consolidated and separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated and separate financial statements are presented in Naira which is the Company's functional and presentation currency.

Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency 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 recognized in the statement of profit or loss and other comprehensive income.

| | | GDP growth rate | | |
|----------------|---------------|-----------------|---------------|-------|
| | | -10% | Held constant | 10% |
| | | N'000 | N'000 | N'000 |
| Inflation Rate | -10% | 781 | 485 | 242 |
| | Held constant | 296 | - | (242) |
| | 10% | (188) | (485) | (727) |

Related parties receivables

Significant unobservable inputs

The table below demonstrates the sensitivity to movements in the following significant unobservable inputs for related parties receivables with all other variables held constant:

Probability of default (PD)

| | Effect on profit before tax 2019 N'000 | Effect on other components of profit before tax 2019 N'000 |
|---|---|---|
| Increase/decrease in probability of default | | |
| 10% | (227) | - |
| -10% | 229 | - |

| Loss Given Default (LGD) | Effect on profit before tax 2019 N'000 | Effect on other components of profit before tax 2019 N'000 |
|---|---|---|
| Increase/decrease in loss given default | | |
| 10% | (234) | - |
| -10% | 234 | - |

Staff Loans

Significant unobservable inputs

Probability of default (PD)

| | Effect on profit before tax 2019 N'000 | Effect on other components of profit before tax 2019 N'000 |
|---|---|---|
| Increase/decrease in probability of default | | |
| 10% | (1,250) | - |
| -10% | 1,372 | - |

Loss Given Default (LGD)

| | Effect on profit before N'000 | Effect on other components of N'000 |
|---|--|--|
| Increase/decrease in loss given default | | |
| 10% | - | - |
| -10% | 2,270 | - |

Forward looking indicators

Forecast Default Rate

| | Effect on profit before tax 2019 N'000 | Effect on other components of profit before tax 2019 N'000 |
|---|---|---|
| Increase/decrease in probability of default | | |
| 10% | (150) | - |
| -10% | 152 | - |

ii) Fair values of biological assets

The fair value of the biological asset is derived by internal experts, using the income approach. Growing cane is valued using the estimated yield in tons of sugarcane expected to be harvested from the existing cane roots, less estimated costs of harvest and transport. For this purpose, management is required to assess the estimated selling price. Cane price is determined using a formula that is based on the price of refined sugar. The cashflows are adjusted for time value of money and inflation based on prevailing market and economic conditions.

The carrying value of growing cane is disclosed in Note 18 of the financial statements

iii) Valuation of deferred tax

The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the group's future financial performance and if necessary, implementation of tax planning strategies.

4 New Standards and Interpretations

4.1 Standards and interpretations effective and adopted in the current year

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

IFRS 16 – Leases

IFRS 16 was issued in January 2016. It results in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard affects primarily the accounting for the group and company's operating leases which includes leases of land, buildings and warehouses. The group has set up a project

team to review all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard affects primarily the accounting for the group's operating leases.

Leases - Accounting policy from 1 January 2019

At inception of a contract, the Group 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 Group 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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group 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 Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group primarily leases land and building (used as office space, outlets, warehouse and residential use). The lease terms are typically for fixed periods ranging from 2 years to 25 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 Group has elected to separate lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their

relative stand-alone prices. 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.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Group 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 Group 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 Group 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.

The lease payments are discounted using the company's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that DSR would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company has considered its current cost of borrowing and has used a build-up approach to adjust the reference rate for leases of different duration.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

The Group presents lease liabilities separately from other liabilities in the Statement of financial position.

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.

Right-of-use assets are generally depreciated over

the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group presents right-of-use assets within the same line item as Property, Plant and equipment (note 16)

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1,800,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term.

Extension and termination options

Extension and termination options are included in the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the lessee and lessor and some of the termination options held are exercisable only by the Group.

Leases in which the Group is a Lessor

(i) Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

(ii) Finance lease

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is

recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

4.2 Critical judgements

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, the potential future cashflows that was not included in the lease liability because it is not reasonably certain that the leases will be extended amounted to Nil.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee. During the financial year, there were no revised lease terms.

4.3 Changes in accounting policies

Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated

comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 January 2019. The new accounting policies are disclosed in note 4.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranges from 15% to 17% depending on the lease term.

The Group had no leases previously classified as finance leases.

The Group presents right-of-use assets within the same line item as Property, Plant and equipment (note 16)

Short-term leases and leases of low-value assets

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There was no onerous contract as at 1 January 2019.
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

For lease contracts where the Group is the lessor, the Group reassessed the classification of some of the existing sublease contracts previously classified as operating leases under the previous reporting Standard (IAS 17). For subleases that were concluded to be finance leases under IFRS 16, they have been accounted for as new finance leases entered into at the date of initial application.

I Impact on the financial statements

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included.

GROUP

| | As at 31 December 2018 | Impact of IFRS 16 | | As at 1 Jan 2019 |
|---------------------|------------------------|-------------------|---------------|------------------|
| | | Reclassification | Remeasurement | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Assets | | | | |
| Right-of-use assets | - | 228,875 | 2,650,469 | 2,879,344 |
| Prepayment | 228,875 | (228,875) | | - |
| Liabilities | | | | |
| Non-current | | | | |
| Lease liabilities | - | - | 2,188,489 | 2,188,489 |
| Current | | | | |
| Lease liabilities | - | - | 461,980 | 461,980 |

| COMPANY | As at 31 December 2018 | Impact of IFRS 16 Reclassification | Remeasurement | As at 1 Jan 2019 |
|---------------------|------------------------|---------------------------------------|---------------|------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Assets | | | | |
| Right-of-use assets | - | 228,875 | 2,641,339 | 2,870,214 |
| Prepayment | 228,875 | (228,875) | - | - |
| Liabilities | | | | |
| Non-current | | | | |
| Lease liabilities | - | - | 2,180,404 | 2,180,404 |
| Current | | | | |
| Lease liabilities | - | - | 460,934 | 460,934 |

ii Measurement of lease liabilities

| | 1 January 2019 | |
|--|----------------|------------------|
| | Group ₦'000 | Company ₦'000 |
| Operating lease commitments disclosed as at 31 December 2018-- | | |
| Add: adjustments as a result of a different treatment of extension and termination options | 2,650,469 | 2,641,339 |
| Lease liabilities recognised as at 1 January 2019 | 2,650,469 | 2,641,339 |

iii Right of use assets as at 1 January 2019

The associated right-of-use assets for property and land leases were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leases for land and buildings.

| 5 Revenue | GROUP | GROUP | COMPANY | COMPANY |
|---|---------------------|---------------------|---------------------|---------------------|
| | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 |
| Revenue from the sale of sugar - 50kg | 153,354,955 | 141,862,966 | 150,626,795 | 138,267,667 |
| Revenue from the sale of sugar - Retail | 4,300,420 | 4,215,756 | 4,300,420 | 4,215,756 |
| Revenue from the sale of molasses | 543,611 | 716,775 | 290,570 | 488,167 |
| Freight income | 2,886,792 | 3,577,586 | 2,886,792 | 3,577,586 |
| | 161,085,778 | 150,373,083 | 158,104,577 | 146,549,176 |

5.1 Segment information

Segment information is presented in respect of the group's reportable segments. For management purpose, the Group is organised into business units by geographical areas in which the group operates and the locations that comprise such regions represent operating segments.

The Group has 4 reportable segments based on location of the principal operations as follows: Northern Nigeria, Western Nigeria, Eastern Nigeria and Lagos.

Segmental revenue and results

Revenue from external customers by region of operations is listed below.

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|-----------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Nigeria: | | | | |
| Lagos | 54,566,282 | 71,114,851 | 54,566,282 | 71,114,850 |
| North | 59,319,216 | 52,795,791 | 56,338,014 | 48,971,885 |
| West | 38,338,744 | 18,379,292 | 38,338,744 | 18,379,292 |
| East | 8,861,536 | 8,083,149 | 8,861,537 | 8,083,149 |
| | 161,085,778 | 150,373,083 | 158,104,577 | 146,549,176 |

| Group | Segment Revenue | | Segment Cost of Sales | | Segment gross profit | |
|-----------------|---------------------|---------------------|-----------------------|----------------------|----------------------|---------------------|
| | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 |
| Nigeria: | | | | | | |
| Lagos | 54,566,282 | 71,114,851 | (41,568,808) | (52,624,134) | 12,997,474 | 18,490,717 |
| North | 59,319,216 | 52,795,791 | (45,274,380) | (38,180,374) | 14,044,836 | 14,615,417 |
| West | 38,338,744 | 18,379,292 | (29,206,606) | (12,971,015) | 9,132,138 | 5,408,277 |
| East | 8,861,536 | 8,083,149 | (6,750,754) | (6,912,201) | 2,110,782 | 1,170,948 |
| | 161,085,778 | 150,373,083 | (122,800,547) | (110,687,723) | 38,285,230 | 39,685,360 |

| Company | Segment Revenue | | Segment Cost of Sales | | Segment gross profit | |
|-----------------|---------------------|---------------------|-----------------------|----------------------|----------------------|---------------------|
| | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 |
| Nigeria: | | | | | | |
| Lagos | 54,566,282 | 71,114,850 | (40,645,838) | (50,856,616) | 13,920,444 | 20,258,234 |
| North | 56,338,014 | 48,971,885 | (41,965,582) | (34,517,977) | 14,372,432 | 14,453,908 |
| West | 38,338,744 | 18,379,292 | (28,558,119) | (12,535,350) | 9,780,625 | 5,843,943 |
| East | 8,861,537 | 8,083,149 | (6,600,864) | (6,680,036) | 2,260,673 | 1,403,113 |
| | 158,104,577 | 146,549,176 | (117,770,402) | (104,589,978) | 40,334,175 | 41,959,198 |

5.1.1 Segment assets and liabilities

The amount provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the of the segment and the physical location of the asset.

Investments in shares held by the Group and deferred tax assets are not considered to be segment assets and are not allocated to segments.

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

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

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

The table below provides information on the segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the balance as at 31 December 2018;

| Group | Total Segment Assets | | Total Segment liabilities | |
|--------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2019 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Nigeria: | | | | |
| Lagos | 158,983,986 | 158,983,986 | 73,352,250 | 66,033,588 |
| North | 24,281,480 | 8,959,463 | 7,197,287 | 4,797,854 |
| West | - | - | - | - |
| East | - | - | - | - |
| Sub-total | - | - | - | - |
| Unallocated deferred tax | <u>183,265,466</u> | <u>167,943,449</u> | <u>80,549,537</u> | <u>70,831,442</u> |
| | 10,440,450 | 7,173,178 | 5,019,915 | 5,309,997 |
| Total | <u>193,705,916</u> | <u>175,116,627</u> | <u>85,569,452</u> | <u>76,141,439</u> |

| Company Nigeria: | Total Segment Assets | | Total Segment liabilities | |
|--------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2019 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Lagos | 198,129,122 | 178,523,711 | 73,352,250 | 66,033,588 |
| Sub-total | <u>198,129,122</u> | <u>178,523,711</u> | <u>73,352,250</u> | <u>66,033,588</u> |
| Unallocated deferred tax | - | - | 5,019,914 | 5,309,997 |
| Total | <u>198,129,122</u> | <u>178,523,711</u> | <u>78,372,164</u> | <u>71,343,585</u> |

Included in the Lagos segment is asset held for sale of ₦868.6 million (2018: ₦868.6 million).

Information about major customers

There are two customers who buy industrial non-fortified sugar that represents more than 10% of total sales during the year. The customers are Nigerian Bottling Company Limited and Seven Up Bottling Company Limited operating from Lagos.

Large Corporate/Industrial Users

These are leading blue chip companies in Nigeria, and they include manufacturers of confectioneries and soft drinks. This group typically accounts for 30% of the Group's sales. They buy Non-Fortified sugar exclusively.

Distributors

The Group sells non-fortified sugar mainly to pharmaceutical, food and beverage manufacturers, while Vitamin A-fortified sugar is sold to distributors who sell to small wholesalers, confectioners and other smaller value-adding enterprises who provide the distribution network to the Nigerian retail market. The Group sells a small amount of sugar directly to retail customers. Retail packaging comes in various sizes of 250g, 500g, and 1kg under the brand name "Dangote Sugar". Sales to distributors account for 70% of the Group's revenue.

The Group provides a delivery service to customers by transporting refined sugar to other destinations. Freight income represents revenue earned in this respect during the year. The associated cost of providing this service is included in Cost of sales.

6. Cost of sales

| | GROUP | | COMPANY | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Raw material | 90,951,086 | 78,987,451 | 89,937,589 | 77,710,948 |
| Direct labour cost | 4,120,116 | 4,523,820 | 3,017,340 | 3,102,091 |
| Direct overheads | 16,708,133 | 16,584,943 | 14,958,354 | 14,976,326 |
| Other overheads | - | 235,557 | - | 74,158 |
| Depreciation | 5,578,913 | 4,949,543 | 4,493,078 | 3,353,916 |
| Freight expenses | 5,442,300 | 5,406,409 | 5,364,042 | 5,372,539 |
| | <u>122,800,548</u> | <u>110,687,723</u> | <u>117,770,402</u> | <u>104,589,978</u> |

Included in the current year raw material cost is inventory write-down of ₦9.56billion relating to raw sugar. This is as a result of physical verification procedure carried out that led to the writing down of raw sugar inventory to its net realizable value.

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|---|---------------------|---------------------|-----------------------|-----------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| 7. Administrative expenses | | | | |
| Management fees | 782,211 | 1,090,312 | 782,211 | 1,090,312 |
| Assessment rates and municipal charges | 10,122 | 9,589 | 4,876 | 8,726 |
| Auditors Fees and remuneration | 63,200 | 54,000 | 46,200 | 42,000 |
| Cleaning and fumigation | 79,843 | 84,764 | 79,814 | 84,744 |
| Legal, consulting and professional fees | 1,339,253 | 413,559 | 1,307,545 | 362,177 |
| Consumables | 14,450 | 10,185 | 4,865 | 4,063 |
| Depreciation | 372,881 | 289,060 | 189,940 | 166,016 |
| Amortisation of intangible assets | 325 | 2,240 | 325 | 2,240 |
| Donations and scholarship | 98,538 | 302,061 | 24,962 | 302,061 |
| Employee costs (note 36) | 2,678,683 | 2,364,848 | 1,851,943 | 1,722,317 |
| Entertainment | 132,934 | 135,287 | 132,635 | 135,094 |
| IT expenses | - | 6,372 | - | - |
| Insurance | 320,792 | 218,049 | 178,748 | 117,728 |
| Bank charges | 244,926 | 210,021 | 192,661 | 203,659 |
| Rental expenses | 39,398 | 24,089 | 39,398 | 24,089 |
| Magazines, books, print and and periodicals | 50,714 | 32,200 | 39,182 | 24,239 |
| Utilities | 149,858 | 127,296 | 24,621 | 26,703 |
| Petrol and oil | 25,244 | 66,125 | 14,969 | 62,634 |
| Repairs and maintenance | 170,467 | 246,305 | 83,300 | 160,759 |
| Secretarial fees | 65,346 | 120,334 | 65,346 | 120,334 |
| Security expense | 208,063 | 165,219 | 123,571 | 123,244 |
| Staff welfare | 198,786 | 198,232 | 179,947 | 182,497 |
| Subscriptions | 28,884 | 9,062 | 27,354 | 6,416 |
| Telephone and fax | 130,352 | 176,015 | 90,464 | 136,877 |
| Training | 35,817 | 36,125 | 12,599 | 34,060 |
| Travel-local | 237,743 | 233,147 | 163,231 | 167,291 |
| Travel-overseas | 336,537 | 168,927 | 310,061 | 127,913 |
| | 7,815,370 | 6,793,423 | 5,970,768 | 5,438,193 |
| Selling and Distribution expenses | | | | |
| Selling and marketing expenses | 813,797 | 978,159 | 810,067 | 969,000 |
| | 813,797 | 978,159 | 810,067 | 969,000 |
| | | | | |
| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| 8. Investment income | 720,020 | 2,535,271 | 720,018 | 2,535,270 |
| Interest income on bank deposits | 720,020 | 2,535,271 | 720,018 | 2,535,270 |
| 9. Change in fair value of biological assets | (313,472) | (325,294) | - | - |
| Fair value (loss) on biological assets (Note 18) | (313,472) | (325,294) | - | - |
| 10. Net finance (income)/expense | 54,627 | - | 54,627 | - |
| Exchange (gain)/loss arising on IFRS 16 | 7,133 | 35,043 | 7,133 | 67,127 |
| Exchange (gain)/loss on ordinary course of business | 214,316 | - | 209,108 | - |
| Interest on lease payments (IFRS 16) | 240,133 | 258,200 | - | - |
| | 516,210 | 293,243 | 270,868 | 67,127 |

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|---------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| | ₦000 | ₦000 | ₦000 | ₦000 |
| 11. Other income | | | | |
| Insurance claim income | 6,743 | 120,541 | 6,743 | 43,908 |
| Sale of scrap | 42,261 | 92,182 | 23,405 | 35,395 |
| ITF Refund | 19,296 | - | 19,296 | - |
| Bad debt recovered Grant income | - | 10,000 | - | 10,000 |
| Haulage income | 80,140 | - | - | - |
| Rental income | - | 81,309 | - | - |
| Provision no longer required | 94,195 | 92,310 | 67,500 | 67,500 |
| Loss on sale of asset | 310,250 | 65,831 | - | 52,000 |
| Miscellaneous income | (68,634) | - | (68,634) | - |
| | 122,013 | 107,065 | 2,130 | 25,271 |
| | 606,263 | 569,237 | 50,440 | 234,074 |

12. Taxation

12.1 Major components of the tax expense

Current Tax

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Income tax based on profit for the year | 10,231,015 | 11,507,625 | 10,231,015 | 11,507,625 |
| Education tax expense | 785,492 | 833,691 | 785,492 | 833,691 |
| | 11,016,507 | 12,341,316 | 11,016,507 | 12,341,316 |

Deferred tax

| | | | | |
|-------------------------------|------------------|-------------------|-------------------|-------------------|
| Deferred tax (income)/expense | (3,557,353) | 283,273 | (290,082) | 283,273 |
| | 7,459,154 | 12,624,589 | 10,726,425 | 12,624,589 |

The tax rates used in the above comparative figures are the corporate tax rate of 30% payable by corporate entities in Nigeria. Education tax rate is also payable at 2% of assessable profit.

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|--|---------------------|---------------------|-----------------------|-----------------------|
| | ₦000 | ₦000 | ₦000 | ₦000 |
| 12.2 Reconciliation of the tax expense | | | | |
| Reconciliation between accounting profit and tax expense | | | | |
| Accounting profit before tax | 29,820,430 | 34,601,057 | 34,829,243 | 38,455,530 |
| Income tax expense calculated at 30% | 8,992,294 | 10,380,317 | 10,448,773 | 11,536,658 |
| Education tax expense calculated at 2% | 785,492 | 833,691 | 785,492 | 833,691 |
| Effect of investment allowance not recognised in accounting | (63,604) | (98,940) | (65,548) | (55,963) |
| Fines and penalties | - | 18 | - | - |
| Donations | - | 1,192 | - | 624 |
| Capital expenses and repayment | - | 205,306 | - | 205,306 |
| Other tax expense | - | 102,243 | - | 104,273 |
| Fair value gain on biological assets and agricultural products | 94,042 | 97,588 | - | - |
| Effects of disallowable non-temporary adjustments | 647,488 | - | 582,232 | - |
| Effects of allowable non-temporary adjustments | (272,388) | - | (238,382) | - |
| Difference in tax rate | 16,017 | - | 16,791 | - |
| Deferred tax assets not recognised in current year | (642,823) | 1,103,174 | - | - |
| Deferred tax assets not previously recognised | (2,185,182) | - | (802,934) | - |
| Deferred tax not recognised | 87,819 | - | - | - |
| Income tax expense recognised in profit or loss | 7,459,154 | 12,624,589 | 10,726,425 | 12,624,589 |

12.3 Current tax liabilities

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| At January 1 | 12,373,416 | 17,717,419 | 12,341,316 | 17,685,319 |
| Charge for the year | 11,016,507 | 12,341,316 | 11,016,507 | 12,341,316 |
| Payment made during the year | (12,273,402) | (17,685,319) | (12,273,402) | (17,685,319) |
| Balance end of the period | <u>11,116,521</u> | <u>12,373,416</u> | <u>11,084,421</u> | <u>12,341,316</u> |

13 Deferred tax balances

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2018: 30%). The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement.

Deferred tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences are utilised.

Deferred tax assets

Deferred tax assets are attributable to the following:

| | | | | |
|------------------------------------|------------|-----------|---|---|
| Property plant and equipment @ 30% | 2,123,113 | 138,972 | - | - |
| Provisions | 781,102 | 779,808 | - | - |
| Unrelieved losses @ 30% | 7,536,235 | 6,254,398 | - | - |
| | 10,440,450 | 7,173,178 | - | - |

Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

| | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|
| Property plant and equipment @ 30% | (5,893,476) | (5,649,279) | (5,893,270) | (5,649,279) |
| Property plant and equipment @ 10% | (121,878) | (121,878) | (121,878) | (121,878) |
| Exchange difference @ 32% | - | (205) | (205) | (205) |
| Provisions | 995,439 | 461,365 | 995,439 | 461,365 |
| | (5,019,915) | (5,309,997) | (5,019,914) | (5,309,997) |

13.1 Deferred tax reconciliation

| | Opening balance | Credit to P/L | IFRS 9 Retained earning Impact | Closing balance |
|--|--------------------|------------------|-----------------------------------|--------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Group as at 31 December 2019 | | | | |
| Deferred tax (liabilities)/assets in relation to: | | | | |
| Property, plant and equipment @ 30% | (5,510,307) | 1,739,944 | - | (3,770,363) |
| Property, plant and equipment @ 10% | (121,878) | (0) | - | (121,878) |
| Exchange difference @ 32% | (205) | 205 | - | - |
| Provisions | 1,241,173 | 535,368 | - | 1,776,541 |
| Unrelieved losses @ 30% | 6,254,398 | 1,281,837 | - | 7,536,235 |
| | <u>1,863,182</u> | <u>3,557,353</u> | - | <u>5,420,535</u> |

Company as at 31 December 2019

Deferred tax (liabilities)/assets in relation to:

| | | | | |
|-------------------------------------|--------------------|----------------|---|--------------------|
| Property, plant and equipment @ 30% | (5,649,279) | (244,197) | - | (5,893,476) |
| Property, plant and equipment @ 10% | (121,878) | - | - | (121,878) |
| Exchange difference @ 32% | (205) | 205 | - | - |
| Provisions | 461,365 | 534,074 | - | 995,439 |
| | <u>(5,309,996)</u> | <u>290,082</u> | - | <u>(5,019,914)</u> |

14. Operating profit

Profit for the year is arrived at after charging/(crediting):

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Depreciation of property, plant and equipment | 5,951,794 | 5,238,602 | 4,683,018 | 3,519,932 |
| Loss on sale of property, plant and equipment | 68,634 | - | 68,634 | - |
| Amortisation of intangible assets | 325 | 2,240 | 325 | 2,240 |
| Defined contribution plans | 52,591 | 255,652 | 47,928 | 223,919 |
| Auditors remuneration | 63,200 | 54,000 | 46,200 | 42,000 |

15. Earnings per share

Basic and diluted earnings per share

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

The weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Profit for the year | 22,448,353 | 22,169,192 | 24,102,818 | 25,830,941 |
| Earnings used in the calculation of basic earnings per share from continuing operations | <u>22,448,353</u> | <u>22,169,192</u> | <u>24,102,818</u> | <u>25,830,941</u> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>12,000,000</u> | <u>12,000,000</u> | <u>12,000,000</u> | <u>12,000,000</u> |
| Basic and diluted earnings per share from continuing operations (Naira) | 1.87 | 1.85 | 2.01 | 2.15 |

16. Property, Plant and Equipment

| Group cost: | Bearer Plant N'000 | Land N'000 | Building N'000 | Plant & Machinery N'000 | Furniture & Fittings N'000 | Motor Vehicles N'000 | Computer Equipment N'000 | Aircraft N'000 | Tools & Equipment N'000 | Capital Work In Progress N'000 | Total N'000 |
|-------------------------------|-----------------------|------------------|-------------------|-------------------------------|----------------------------------|-------------------------|--------------------------------|-------------------|-------------------------------|--------------------------------------|--------------------|
| Balance, 1/1/2018 | 2,923,063 | 1,848,996 | 16,681,763 | 29,738,334 | 295,211 | 17,241,747 | 195,799 | 899,828 | 4,472,842 | 13,219,995 | 87,517,578 |
| Additions during the year | - | - | 153,396 | 915,169 | 43,576 | 2,302,997 | 34,079 | - | 2,591,391 | 4,724,954 | 10,765,562 |
| Adjustments | - | - | - | (9,209) | - | (669,000) | - | - | - | (6,324) | (684,533) |
| Reclassifications | 1,148,087 | 3,707,000 | 217,335 | (140,965) | - | 503,442 | 1,099 | - | 7,070,059 | (5,441,824) | - |
| Balance, 31/12/2018 | 4,071,150 | 5,555,996 | 17,052,494 | 30,503,329 | 338,787 | 19,379,186 | 230,977 | 899,828 | - | 12,496,801 | 97,598,607 |
| IFRS 16 transition adjustment | - | - | 2,879,344 | - | - | - | - | - | 418,395 | - | 2,879,344 |
| Additions during the year | 1,535,440 | 107,748 | 114,045 | 109,106 | 44,309 | 3,514,186 | 36,627 | - | - | 16,025,942 | 21,905,798 |
| Disposal | - | - | - | (216,675) | - | (221,912) | - | - | - | - | (438,587) |
| Reclassifications | - | - | 25,837 | 1,576,512 | - | - | - | - | - | (1,745,532) | - |
| Balance, 31/12/2019 | 5,606,590 | 5,663,744 | 20,071,720 | 31,972,272 | 383,096 | 22,671,460 | 267,604 | 899,828 | 7,643,683 | 26,777,211 | 121,945,162 |
| DEPRECIATION: | | | | | | | | | | | |
| Balance, 1/1/2018 | 1,172,410 | - | 2,346,662 | 11,780,743 | 189,201 | 8,624,100 | 171,884 | 146,931 | 3,671,958 | - | 28,103,889 |
| Charge for the year | 671,265 | - | 351,759 | 1,770,306 | 83,324 | 1,633,551 | 17,359 | 35,993 | 675,045 | - | 5,238,602 |
| Balance, 31/12/2018 | 1,843,675 | - | 2,698,421 | 13,551,049 | 272,525 | 10,257,651 | 189,243 | 182,924 | 4,347,003 | - | 33,342,491 |
| Charge for the year | 913,247 | 32,220 | 688,464 | 1,633,542 | 4,437 | 1,565,459 | 28,109 | 35,993 | 1,050,323 | - | 5,951,794 |
| Eliminated on disposal | - | - | - | (131,033) | - | (215,520) | - | - | - | - | (346,553) |
| Balance, 31/12/2019 | 2,756,922 | 32,220 | 3,386,885 | 15,053,558 | 276,962 | 11,607,590 | 217,352 | 218,917 | 5,397,326 | - | 38,947,732 |
| NET BOOK VALUE: | | | | | | | | | | | |
| Balance, 31/12/2018 | 2,227,475 | 5,555,996 | 14,354,073 | 16,952,280 | 66,262 | 9,121,535 | 41,734 | 716,904 | 2,723,056 | 12,496,801 | 64,256,114 |
| Balance, 31/12/2019 | 2,849,668 | 5,631,524 | 16,684,835 | 16,918,714 | 106,134 | 11,063,870 | 50,252 | 680,911 | 2,234,311 | 26,777,211 | 82,997,430 |

16. Property, Plant and Equipment

| Company | Land N'000 | Building N'000 | Plant & Machinery N'000 | Furniture & Fittings N'000 | Motor Vehicles N'000 | Computer Equipment N'000 | Aircraft N'000 | Tools & Equipment N'000 | Capital Work In Progress N'000 | Total N'000 |
|-------------------------------|----------------|-------------------|-------------------------------|----------------------------------|-------------------------|--------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------|
| Balance, 1/1/2018 | 1,848,996 | 7,767,152 | 22,203,398 | 116,000 | 10,254,491 | 156,970 | 899,828 | 1,839,939 | 9,477,164 | 54,563,938 |
| Additions during the year | - | - | 535,268 | 1,7724 | 1,230,341 | 28,353 | - | 1,765,483 | 4,623,188 | 8,200,357 |
| Adjustments | - | - | (9,209) | - | (669,000) | - | - | - | (6,144) | (684,353) |
| Disposal | (1,273,501) | - | - | - | - | - | - | - | (8,354,320) | (9,627,821) |
| Reclassification | - | 217,335 | (454,478) | - | - | - | - | - | 237,143 | - |
| Balance, 31/12/2018 | 575,495 | 7,984,487 | 22,274,979 | 133,724 | 10,815,832 | 185,323 | 899,828 | 3,605,422 | 5,977,031 | 52,452,121 |
| IFRS 16 transition adjustment | - | 2,870,214 | - | - | - | - | - | - | - | 2,870,214 |
| Additions during the year | 107,748 | - | 72,919 | 44,309 | 2,825,995 | 29,692 | - | 362,592 | 1,205,398 | 4,648,653 |
| Disposal | - | - | (216,675) | - | (221,912) | - | - | - | - | (438,587) |
| Reclassifications | - | 25,837 | 1,576,512 | - | - | - | - | 143,183 | (1,745,532) | - |
| Balance, 31/12/2019 | 683,243 | 10,880,538 | 23,707,735 | 178,033 | 13,419,915 | 215,015 | 899,828 | 4,111,197 | 5,436,897 | 59,532,401 |
| DEPRECIATION: | | | | | | | | | | |
| Balance, 1/1/2018 | - | 1,304,632 | 9,976,429 | 85,057 | 6,449,866 | 136,357 | 146,931 | 869,799 | - | 18,969,071 |
| Charge for the year | - | 157,164 | 1,511,520 | 15,239 | 1,366,649 | 14,821 | 35,993 | 418,544 | - | 3,519,932 |
| Balance, 31/12/2018 | - | 1,461,796 | 11,487,949 | 100,296 | 7,816,515 | 151,178 | 182,924 | 1,288,343 | - | 22,489,001 |
| IFRS 16 transition adjustment | - | - | - | - | - | - | - | - | - | - |
| Charge for the year | 32,220 | 741,051 | 1,611,113 | 18,284 | 1,419,109 | 23,198 | 35,993 | 802,050 | - | 4,683,018 |
| Eliminated on disposal | - | - | (131,033) | - | (215,520) | - | - | - | - | (346,553) |
| Balance, 31/12/2019 | 32,220 | 2,202,847 | 12,968,029 | 118,580 | 9,020,104 | 174,376 | 218,917 | 2,090,393 | - | 26,825,466 |
| NET BOOK VALUE: | | | | | | | | | | |
| Balance, 31/12/2018 | 575,495 | 6,522,690 | 10,787,030 | 33,428 | 2,999,316 | 34,145 | 716,904 | 2,317,079 | 5,977,031 | 29,963,120 |
| Balance, 31/12/2019 | 651,023 | 8,677,691 | 10,739,706 | 59,453 | 4,399,811 | 40,639 | 680,911 | 2,020,804 | 5,436,897 | 32,706,935 |

The adjustment in the PPE movement above relates to an adjustment for cost of 120 trucks received from Sinotrucks. An amount of N3 Billion was earlier provided for in 2017. subsequently, the vendor gave a revised invoice of N2.331b in 2018.

The following Right-of Use assets have been included in the property, plant and equipment movement schedules above:

| | GROUP Land 31/12/2019 ₦'000 | GROUP Building 31/12/2019 ₦'000 | COMPANY Land 31/12/2019 ₦'000 | COMPANY Building 31/12/2019 ₦'000 |
|--|--------------------------------------|--|--|--|
| Cost | | | | |
| IFRS 16 transition adjustment as at 1/1/2019 | - | 2,879,344 | - | 2,870,214 |
| Additions during the year | 107,748 | 69,084 | 107,748 | - |
| Balance, 31/12/2019 | <u>107,748</u> | <u>2,948,428</u> | <u>107,748</u> | <u>2,870,214</u> |
| DEPRECIATION: | | | | |
| IFRS 16 transition adjustment as at 1/1/2019 | | | | |
| Depreciation charge for the year | 32,220 | 597,005 | 32,220 | 580,697 |
| Balance, 31/12/2019 | <u>32,220</u> | <u>597,005</u> | <u>32,220</u> | <u>580,697</u> |
| NET BOOK VALUE | | | | |
| Balance, 31/12/2019 | <u>75,528</u> | <u>2,351,423</u> | <u>75,528</u> | <u>2,289,516</u> |
| | | | | |
| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
| 17 Intangible assets | | | | |
| Computer software | | | | |
| Cost | | | | |
| At 1 January | 379,590 | 379,590 | 289,390 | 289,390 |
| At 31 December | <u>379,590</u> | <u>379,590</u> | <u>289,390</u> | <u>289,390</u> |
| Amortisation | | | | |
| At 1 January | 379,265 | 377,026 | 289,065 | 286,826 |
| Charge for the year | 325 | 2,240 | 325 | 2,240 |
| At 31 December | <u>379,590</u> | <u>379,266</u> | <u>289,390</u> | <u>289,066</u> |
| Carrying amount at the end of the year | - | 324 | - | 324 |
| | | | | |
| 18 Biological assets | | | | |
| Cost | | | | |
| Carrying value at the beginning of the period | 1,840,686 | 2,806,705 | - | - |
| Net usage | 541,779 | (640,725) | - | - |
| Fair value adjustments | (313,472) | (325,294) | - | - |
| Carrying value at the end of the period | <u>2,068,992</u> | <u>1,840,686</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Current | 2,068,992 | 1,840,686 | - | - |
| | <u>2,068,992</u> | <u>1,840,686</u> | <u>-</u> | <u>-</u> |

Description of biological assets and activities

Biological assets comprise of growing cane. The growing cane represents biological assets which are expected to be harvested as agricultural produce, intended for production of sugar. The biological assets have been measured at fair value less cost to sell.

flows attributable to other assets (contributory assets). This approach is commonly used for sugarcane considering that land, plant and machinery and the bearer plant are accounted as PPE in line with IAS 16 and considered as contributory assets for the purpose of MPEEM valuation.

Basis for measurement of fair value

The Group adopted the multi-period excess earnings method (MPEEM) under the income approach to estimating the fair value of the Biological Assets. The MPEEM estimates the fair value of an asset based on the cash flows attributable to the asset after deducting the cash

The fair value of biological assets are determined based on unobservable inputs, using the best information available in the circumstances and therefore falls within the level 3 fair value category. Growing cane were valued using the income approach

Key assumptions and inputs

Industry out-grower price. (N)
Yield per hectare (tonnes)
Discount rate (%)

| | GROUP 2019 | GROUP 2018 |
|--------------------------------|---------------|---------------|
| Industry out-grower price. (N) | 8,002.90 | 7,900.20 |
| Yield per hectare (tonnes) | 60.3 | 60 |
| Discount rate (%) | 9% | 12.09% |

Changes in fair value of the biological asset are recognised in the statement of profit and loss.

Sensitivity to changes in key assumptions and inputs

Reasonably possible changes at the reporting date to one of the key assumptions, holding other assumptions constant, would have affected the biological assets valuation by the amount shown below.

| | | 31/12/2019 #'000 |
|---------------------------|--------|---------------------|
| Discount rate | 13.09% | 1,834 |
| | 11.09% | 1,847 |
| Industry out-grower price | N9,210 | 2,025 |
| | N8,010 | 1,656 |

The Company currently does not have biological assets with restricted titles.

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| 19 Other assets | 3,810 | 167,503 | - | 165,896 |
| Prepaid rent | 14,553 | 2,697 | 14,553 | 2,697 |
| Prepaid insurance | 14,017 | 8,302 | 14,017 | 8,302 |
| Prepaid housing allowances | - | 167,480 | - | 167,480 |
| Prepaid lease NPA | 42,305 | 41,904 | 42,305 | 41,904 |
| Prepaid medicals | 1,083 | 1,229 | - | 1,229 |
| Others | <u>75,768</u> | <u>389,115</u> | <u>70,875</u> | <u>387,508</u> |
| Current | 75,768 | 377,510 | 70,875 | 375,903 |
| Non-current portion | - | 11,605 | - | 11,605 |
| | <u>75,768</u> | <u>389,115</u> | <u>70,875</u> | <u>387,508</u> |
| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
| | <u>868,642</u> | <u>868,642</u> | <u>868,642</u> | <u>868,642</u> |

20 Asset held for sale

This represents land held for sale. There are several interested parties and the sale is expected to be completed before the end of December 2020.

21 Investment in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

| Company | | Carrying amount | |
|---------------------------------|----------------------------|------------------------|------------------------|
| Name of Company | Held by | December 2019 ₦'000 | December 2018 ₦'000 |
| Savannah Sugar Company Limited | Dangote Sugar Refinery Plc | 3,214,923 | 3,214,923 |
| Taraba Sugar Company Limited | Dangote Sugar Refinery Plc | 99,000 | 99,000 |
| Adamawa Sugar Company Limited | Dangote Sugar Refinery Plc | 99,000 | 99,000 |
| Niger Sugar Company Limited | Dangote Sugar Refinery Plc | 99,000 | 99,000 |
| Nassarawa Sugar Company Limited | Dangote Sugar Refinery Plc | 99,000 | 99,000 |
| | | <u>3,610,923</u> | <u>3,610,923</u> |

The Company owns 92.79% shareholding in Savannah Sugar Company Limited. The principal activities of Savannah Sugar Company Limited are planting of sugar cane, processing, packaging and selling of refined sugar and molasses. The registered address of Savannah Sugar Company Limited, is Km 81, Yola Gombe Road (near Numan) Adamawa State. The company also owns 99% shareholding in Taraba Sugar Company Limited, Adamawa

Sugar Company Limited, Niger Sugar Company Limited and Nassarawa Sugar Company Limited which were fully incorporated in current year.

There are no significant restrictions on the use of the subsidiary assets.

Dangote Sugar Refinery Plc provides financial support to Savannah Sugar Company Limited in terms of payment of salaries and wages, purchase

of assets and settlement of liabilities.

During the course of the year, the Boards of Directors of DSR and Savannah Sugar Company Limited (SSCL) agreed in principle, to undertake a strategic corporate restructuring involving the consolidation of DSR and SSCL, to operate under one unified entity, with DSR as the surviving entity.

The purpose of the restructuring is to create additional value for shareholders deriving from operational and financial synergies as well as administrative efficiencies which will result in increased profitability for the enlarged DSR. The restructuring will also provide strategic opportunities and benefits for the Enlarged DSR, its employees and other stakeholders.

| 22 Inventories | GROUP | GROUP | COMPANY | COMPANY |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Raw materials | 13,873,727 | 12,399,951 | 13,867,605 | 12,383,330 |
| Raw material in transit | 4,925,937 | 5,187,019 | 4,925,937 | 5,187,018 |
| Work-in-process | 205,716 | 346,551 | 205,714 | 224,459 |
| Finished goods | 2,220,936 | 7,281,860 | 742,752 | 7,079,103 |
| Finished goods in transit | 1,154,679 | 198,250 | 1,154,679 | 198,251 |
| Production supplies | 12,928,889 | 9,480,304 | 6,993,994 | 5,163,280 |
| Chemicals and consumables | 3,192,697 | 2,752,155 | 2,084,618 | 1,055,743 |
| Packaging materials | 361,148 | 374,066 | 218,728 | 208,470 |
| | 38,863,729 | 38,020,156 | 30,194,027 | 31,499,654 |
| Allowance for obsolete inventory | - | (344,076) | - | - |
| | 38,863,729 | 37,676,080 | 30,194,027 | 31,499,654 |

No inventory was pledged as security for any liability

| 23. Trade and other receivables | GROUP | GROUP | COMPANY | COMPANY |
|---|-------------------|-------------------|--------------------|-------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade receivables | 10,148,995 | 7,535,807 | 9,952,761 | 7,535,807 |
| Allowance for doubtful debts and impairments | (718,117) | (646,964) | (718,117) | (646,964) |
| | 9,430,878 | 6,888,843 | 9,234,644 | 6,888,843 |
| Staff loans and advances | 150,042 | 166,149 | 99,259 | 138,013 |
| Other financial assets | 5,226,476 | 15,549,298 | 5,226,476 | 15,549,298 |
| Advance payment to contractors | 10,418,909 | 5,455,123 | 1,333,205 | 1,802,584 |
| Insurance claim receivable | 361,998 | 361,998 | 361,998 | 361,998 |
| Negotiable Duty Credit Certificates (Note 23.1) | 805,683 | 805,683 | 805,683 | 805,683 |
| Other receivables | 2,002,614 | 1,042,893 | 2,002,614 | 1,346,705 |
| Allowance for impaired other receivables | (56,592) | (198,662) | (56,592) | (80,095) |
| Allowance for impaired staff loans (Note 23.2) | (23,950) | (22,875) | (23,950) | (22,875) |
| Amount due from related parties (Note 35) | 6,020,588 | 11,579,007 | 89,600,961 | 66,654,100 |
| Allowance for impaired -related parties | | | | |
| Trade(Note 23.2) | (179,863) | (56,528) | (179,863) | (56,528) |
| Allowance for impaired -related parties | | | | |
| Non-Trade(Note 23.2) | (377,406) | (240,736) | (1,390,118) | (2,361,995) |
| | 33,779,377 | 41,330,194 | 107,014,317 | 91,025,731 |

Other financial asset is in respect of the deposit for open Letters of Credit with the banks.

Trade receivables disclosed above include amounts (see note 32 for aged analysis) that are past due more than 30 days as at the reporting date for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

23.1 Negotiable duty credit certificate

The Company has received certificates for N805.7 million termed as Negotiable Duty Credit Certificate (NDCC). The NDCC is an instrument of the government for settling of the EEG receivables. The NDCC is used for the payment of Import and Excise duties in lieu of

cash. For more than one year, the Company and other industry players have not been able to use the certificates in settlement of customs duties.

Though, a significant component of the NDDC/EEG receivable have been outstanding for more than one year, no impairment charge has been recognised by the Company in the current year because they are regarded as sovereign debt since it is owed by the government. Moreover, the government has not communicated or indicated unwillingness to honour the obligations. On the contrary, the government has announced a resumption of the scheme in 2017. Thus, the outstanding balances are classified as current assets accordingly

23.2 Allowance for impairment of financial assets

| Company | Impairment losses | | | | Total |
|--|-------------------|----------------|-------------------|---------------|------------------|
| | Trade | Related party | | Staff loans | |
| | | Trade related | Non-trade related | | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1/1/2018 | 245,401 | - | - | - | 245,401 |
| Allowance for credit losses on receivables on transition to IFRS 9 | 581,549 | 83,223 | 2,367,822 | 11,675 | 3,044,269 |
| Restated Balance as at 1/1/2018 | 826,950 | 83,223 | 2,367,822 | 11,675 | 3,289,670 |
| Increase/(decrease) in allowance for credit losses for the year | (179,986) | (26,695) | (5,827) | 11,200 | (201,308) |
| Balance as at 31/12/2018 | 646,964 | 56,528 | 2,361,995 | 22,875 | 3,088,362 |
| Net impact on retained earnings in current year | 401,563 | 56,528 | 2,361,995 | 22,875 | 2,842,961 |
| Balance as at 1/1/2019 | 646,964 | 56,528 | 2,361,995 | 22,875 | 3,088,362 |
| Increase/(decrease) in allowance for credit losses for the year | 71,153 | 123,336 | (971,877) | 1,075 | (776,313) |
| Balance as at 31/12/2019 | 718,117 | 179,864 | 1,390,118 | 23,950 | 2,312,049 |
| Net impact on retained earnings in current year | 71,153 | 123,336 | (971,877) | 1,075 | (776,313) |

| Group | Impairment losses | | | | Total |
|--|-------------------|----------------|-------------------|---------------|------------------|
| | Trade | Related party | | Staff loans | |
| | | Trade related | Non-trade related | | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1/1/2018 | 245,401 | - | - | - | 245,401 |
| Allowance for credit losses on receivables on transition to IFRS 9 | 581,549 | 83,223 | 246,563 | 11,675 | 923,010 |
| Restated Balance as at 1/1/2018 | 826,950 | 83,223 | 246,563 | 11,675 | 1,168,411 |
| Increase/(decrease) in allowance for credit losses for the year | (179,986) | (26,695) | (5,827) | 11,200 | (201,308) |
| Balance as at 31/12/2018 | 646,964 | 56,528 | 240,736 | 22,875 | 967,103 |
| Net impact on retained earnings in current year | 401,563 | 56,528 | 240,736 | 22,875 | 967,103 |
| Balance as at 1/1/2019 | 646,964 | 56,528 | 240,736 | 22,875 | 967,103 |
| Increase/(decrease) in allowance for credit losses for the year | 71,153 | 123,335 | 136,670 | 1,075 | 332,232 |
| Balance as at 31/12/2019 | 718,117 | 179,863 | 377,406 | 23,950 | 1,299,335 |
| Net impact on retained earnings in current year | 71,153 | 123,335 | 136,670 | 1,075 | 332,232 |

23.3 Provision for impairment (gain)/loss on financial assets

| | GROUP | GROUP | COMPANY | COMPANY |
|---|------------------|----------------|------------------|------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance at the beginning of the year | 967,103 | 245,401 | 3,088,362 | 245,401 |
| Increase in impairment losses on transition (adoption of IFRS 9) | - | 3,044,269 | - | 3,044,269 |
| Elimination of impairment losses on transition (adoption of IFRS 9) | - | (2,121,259) | - | - |
| Balance at the beginning of the year (restated) | 967,103 | 1,168,411 | 3,088,362 | 3,289,670 |
| Impairment (gain)/loss recognised in profit or loss | 332,234 | (201,308) | (776,313) | (201,308) |
| | 1,299,337 | 967,103 | 2,312,049 | 3,088,362 |
| Receivables written off as uncollectible | - | - | - | - |
| Balance at the end of the year | 1,299,337 | 967,103 | 2,312,049 | 3,088,362 |

23.4 Impact of IFRS 9 transition on retained earning

| | | | | |
|--|---|----------------|---|------------------|
| Allowance for credit losses on receivables on transition to IFRS 9 | - | 923,010 | - | 3,044,269 |
| Deferred Tax impact of IFRS 9 on opening retained earning | - | (186,096) | - | (186,096) |
| | - | 736,914 | - | 2,858,173 |

24 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and short term deposits with 30 days tenure. Cash and cash equivalents at the

end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Cash in hand | 3,642 | 4,780 | 1,666 | 4,630 |
| Bank balances | 20,644,886 | 8,416,238 | 19,698,737 | 8,001,986 |
| Nigerian Treasury bill | 1,463,000 | - | 1,463,000 | - |
| Short term deposits | 2,500,000 | 13,161,276 | 2,500,000 | 13,161,193 |
| Bank overdraft | - | - | - | - |
| | <u>24,611,528</u> | <u>21,582,294</u> | <u>23,663,403</u> | <u>21,167,809</u> |

25. Share capital and Premium

The balance in the share capital account was as follows:

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Authorised: 12,000,000,000 | | | | |
| Ordinary shares of 50k each | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Allotted, called up issued and fully paid: | | | | |
| 12,000,000,000 Ordinary shares of 50k each | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| | <u>6,320,524</u> | <u>6,320,524</u> | <u>6,320,524</u> | <u>6,320,524</u> |

Share premium represents the excess of the shareholders' value over the nominal share capital at the point of the commencement of operations in January 2006

26. Retained earnings

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Balance at January 1 | 87,010,225 | 80,577,948 | 94,859,602 | 86,886,834 |
| Impact of IFRS 9 transition (23.4) | - | (736,914) | - | (2,858,173) |
| Balance restated | <u>87,010,225</u> | <u>79,841,034</u> | <u>94,859,602</u> | <u>84,028,661</u> |
| Profit for the year | 22,448,353 | 22,169,191 | 24,102,818 | 25,830,941 |
| Payment of dividend | (13,200,000) | (15,000,000) | (13,200,000) | (15,000,000) |
| Balance at December 31 | <u>96,258,578</u> | <u>87,010,225</u> | <u>105,762,420</u> | <u>94,859,602</u> |

27. Non-controlling interest

| | | | | |
|-------------------------|------------------|------------------|---|---|
| Balance brought forward | (355,561) | (162,837) | - | - |
| Share of profit | (87,077) | (192,724) | - | - |
| Total | <u>(442,638)</u> | <u>(355,561)</u> | - | - |

28 Borrowings

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| <i>Held at amortised cost</i> | | | | |
| Bank loan | 1,345,226 | 1,470,755 | - | - |
| | <u>1,345,226</u> | <u>1,470,755</u> | - | - |
| Non-current liabilities | 1,300,014 | 1,425,543 | - | - |
| Current liabilities | 45,212 | 45,212 | - | - |
| | <u>1,345,226</u> | <u>1,470,755</u> | - | - |
| Movement of borrowings | | | | |
| Balance brought forward | 1,470,755 | 1,538,159 | - | - |
| Accrued interest | 240,133 | 258,200 | - | - |
| Payments | (365,662) | (325,604) | - | - |
| | <u>1,345,226</u> | <u>1,470,755</u> | - | - |

In 2016, the Group received a 10-year loan of N2 Billion from Zenith Bank Plc, with two years moratorium on principal, at an interest of 9% per annum payable quarterly. It is secured on fixed and floating assets of Savannah Sugar Limited.

29 Employee benefits

Defined benefit plan

The Group operated a defined benefit plan for all qualifying employees up till 30 September 2013. Under the plan, the employees were entitled to retirement benefits which vary according to length of service. At the date of

discontinuation, qualified staff as at this date are to be paid their retirement benefit at the point of exit hence the recognition as a current liability as it is payable on demand. The amounts stated in the financial statement as at 2013 are based on actuarial valuation carried out in 2013. For the purpose of comparison the present value of the defined benefit obligation, and the related current service cost and past service cost stated in the books up till 30 September 2013 was measured using the Project Unit Credit Method.

The most recent Actuarial Valuation was carried out in 2013 using the staff payroll of 30 September 2013.

Movement in gratuity

| | GROUP 31/12/2019 | GROUP 31/12/2018 | COMPANY 31/12/2019 | COMPANY 31/12/2018 |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1 January | 969,931 | 984,475 | 794,802 | 806,782 |
| Benefit (paid)/additional provision | 10,499 | (14,544) | 3,894 | (11,980) |
| | <u>980,430</u> | <u>969,931</u> | <u>798,696</u> | <u>794,802</u> |

As at the date of the valuation, no fund has been set up from which payments can be disbursed. Dangote Sugar Refinery expects to settle its obligations out of its existing reserves. The contribution into the gratuity scheme was discontinued in 2013.

Defined contribution plan

The Group operates a defined contribution

retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees contribute 8% of their gross salary (basic, housing and transport) while the Group contributes 10% on behalf of the employees to the same plan.

30 Trade and other payables

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|----------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Trade payables | 32,006,154 | 30,734,474 | 31,507,755 | 30,414,713 |
| Dividend Payable | 1,977,248 | 1,513,781 | 1,977,248 | 1,513,781 |
| Accruals and sundry creditors | 11,134,102 | 11,206,070 | 10,090,791 | 10,230,759 |
| Other credit balances | 7,706,159 | 802,416 | 6,858,113 | 697,881 |
| Due to related parties (Note 35) | 10,400,190 | 10,240,990 | 8,870,743 | 8,571,499 |
| | 63,223,853 | 54,497,731 | 59,304,650 | 51,428,633 |

Included in the other credit balances for both The Company and group is an accrual of N4,925,936,963.5 relating to raw sugar Vessel MV Banaree Naree still in transit as at year end as well as a sum of N3 10,656,605.32 relating to accrual for Spares in transit also as at year end.

31 Other Liabilities

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Advance payment for goods | 1,561,347 | 1,519,609 | 1,557,861 | 1,468,837 |
| | 2,322,159 | - | 2,280,637 | - |

31.1 Lease Liability

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Opening balance as at 1 January 2019 | | | | |
| IFRS 16 transition adjustment | 2,650,469 | - | 2,641,339 | - |
| Restated opening balance as at 1 Jan 2019 | 2,650,469 | - | 2,641,339 | - |
| Additions | 109,039 | - | 80,622 | - |
| Interest expense | 214,316 | - | 209,108 | - |
| Foreign exchange difference | 54,627 | - | 54,627 | - |
| Payments made during the period | (706,292) | - | (705,059) | - |
| Closing balance as at 31 December 2019 | 2,322,159 | - | 2,280,637 | - |
| Current | 612,100 | - | 606,622 | - |
| Non-current | 1,710,060 | - | 1,674,014 | - |

31.2 Amounts recognised in the statement of profit or loss

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Depreciation charge on right of use assets | | | | |
| Land | 32,220 | - | 32,220 | - |
| Buildings | 597,006 | - | 580,697 | - |
| | 629,226 | - | 612,917 | - |
| Interest expense (included in finance cost) | 214,316 | - | 209,108 | - |
| Foreign exchange difference | 54,627 | - | 54,627 | - |
| Expense related to short term leases (included in administrative expenses) | 103,144 | - | 101,686 | - |

31.3 Liquidity risk (maturity analysis of lease liabilities)

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|--|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Lease liability - Undiscounted cashflows | | | | |
| 0-3 months | 96,350 | - | 90,839 | - |
| 3-12 months | 673,898 | - | 673,065 | - |
| 1-2 years | 694,430 | - | 649,319 | - |
| Above 2 years | 1,808,657 | - | 1,808,657 | - |

31.4 Leases where the Group is a lessor.

The Group has leased two of its buildings and a staff quarter to a related party and employees respectively. These are classified as operating leases.

Lease rental recognised in profit or loss as rental income in which the Group acts as a lessor is as shown below:

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|----------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Other income | | | | |
| Rental income on operating lease | 94,195 | 92,310 | 67,500 | 67,500 |

32 Risk management

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is made up of equity comprising issued capital, share premium and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group's risk management committee reviews the capital structure of the Group on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The

Group is not geared as at 31 December 2018 (see below).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position as at 31 December 2018) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the as at 31 December 2018 plus net debt.

The gearing ratio at 2019 and 2018 respectively were as follows:

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|--|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Total borrowings | | | | |
| Borrowings (Note 28) | 1,345,226 | 1,470,755 | - | - |
| Less: Cash and cash equivalent (Note 24) | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |
| Net Cash | 23,266,302 | 20,111,539 | 23,663,403 | 21,167,809 |
| Total Equity | 108,136,464 | 98,975,188 | 118,082,944 | 107,180,126 |
| Gearing ratio | 1% | 1% | 0% | 0% |

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for

overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk management

The Group monitors its risk of shortage of funds by maintaining a balance between continuity of funding and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. To manage liquidity risk, the allocation of Letters of Credit on raw sugar and spares/chemicals are spread over dedicated banks. Therefore, the establishment of these Letters of Credit which are commitments by the banks provide security to the Group's funds placed on deposit accounts. In other words the Group's funds placed are substantially tied to its obligations on raw sugar and spares.

Group

At 31 December 2019

| | Less than one year ₦'000 | More than one year ₦'000 | Total ₦'000 |
|--------------------------|--------------------------------|--------------------------------|-------------------|
| Borrowings | 45,212 | 1,300,014 | 1,345,226 |
| Trade and other payables | 53,540,447 | - | 53,540,447 |
| | 53,585,659 | 1,300,014 | 54,885,673 |

At 31 December 2018

| | | | |
|--------------------------|-------------------|------------------|-------------------|
| Borrowings | 45,212 | 1,425,543 | 1,470,755 |
| Trade and other payables | 52,181,534 | - | 52,181,534 |
| | 52,226,746 | 1,425,543 | 53,652,289 |

| Company At 31 December 2019 | Less than one year ₦'000 | More than one year ₦'000 | Total ₦'000 |
|--------------------------------|--------------------------------|--------------------------------|-------------------|
| Borrowings | - | - | - |
| Trade and other payables | 50,469,289 | - | 50,469,289 |
| | 50,469,289 | - | 50,469,289 |
| | | | |
| At 31 December 2018 | | | |
| Borrowings | - | - | - |
| Trade and other payables | 49,216,971 | - | 49,216,971 |
| | 49,216,971 | - | 49,216,971 |

Financial liabilities that can be repaid at any time have been assigned to the earliest possible time period. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its investing activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial institutions. The Group has a credit management committee that is responsible for carrying out preliminary credit checks, review and approval of bank guarantees to credit customers. A credit controller also monitors trade receivable balances and resolves credit related matters.

Before accepting any new customer to buy on credit, the customer must have purchased goods on cash basis for a minimum period of six months in order to test the financial capability of the customer. Based on good credit rating by the credit committee of the Company, the customer may be allowed to migrate to credit purchases after the presentation of an acceptable bank guarantee which must be valid for one year.

Concentration of risk

About 32% of the trade receivables are due from a single customer whose credit history is

good. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are otherwise diverse including both corporate entities and lots of individual end users. The requirement for impairment is analysed at each reporting date on an individual basis for corporate and individual customers.

Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with its corporate treasury policy that spells out counterparty limits, lists of financial institutions that the Group deals with and the maximum tenure of fixed term funds. Surplus funds are spread amongst these institutions and funds must be within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Corporate Treasurer periodically and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through the potential counterparty's failure.

Maximum exposure to credit risks

The carrying value of the Group's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

| Financial instrument | GROUP | GROUP | COMPANY | COMPANY |
|--|-------------------|-------------------|--------------------|--------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade receivables | 9,430,878 | 6,888,843 | 9,234,644 | 6,888,843 |
| Other receivables | 2,434,112 | 832,276 | 2,383,329 | 1,226,518 |
| Deposit for open Letters of Credit with the banks. | 5,226,476 | 15,549,298 | 5,226,476 | 15,549,298 |
| Amount due from related party | 5,463,319 | 11,281,743 | 88,030,980 | 64,235,577 |
| Cash and cash equivalents | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |
| | 47,166,313 | 56,134,454 | 128,538,832 | 109,068,045 |

Excluded from the other receivables balance shown above are the VAT, advance to vendors, Withholding tax receivable and NDCC receivables, these are not financial instruments.

Impairment of financial assets

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 and adopt the new expected credit loss model for financial assets (See Note 2.12 for accounting policies on financial instruments). The company's financial assets that are subject to IFRS 9's new expected credit loss model are:

- Trade receivables
- Amount due from related parties
- Staff loans and;
- Cash and cash equivalent.
- Deposit for Open Letters of Credit with the banks

a) Trade receivables

The Company applies the IFRS 9 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 third-party

The provision matrix approach is based on the historical credit loss experience observed according to the behaviour of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables.

The expected loss rates as at 31 December 2019 are as follows:

| Age of trade receivables | 0-30 days | 31-60 days | 61-90 days | 91-365 days | Over 365 | Total |
|--------------------------|------------------|------------------|---------------|---------------|-----------|-------------------|
| | | | | | days | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross carrying amount | 10,049,253 | 1,445,574 | 53,587 | 79,278 | 210,035 | 11,837,727 |
| Default rate | 3.00% | 10.00% | 19.00% | 33.00% | 100.00% | - |
| Lifetime ECL | (326,104) | (145,587) | (9,953) | (26,438) | (210,035) | (718,117) |
| Total | 9,723,149 | 1,299,987 | 43,634 | 52,840 | - | 11,119,610 |

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

| Age of trade receivables | 0-30 days | 31-60 days | 61-90 days | 91-365 days | Over 365 | Total |
|--------------------------|------------------|------------------|----------------|--------------|--------------|------------------|
| | | | | | days | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross carrying amount | 4,997,238 | 1,532,381 | 805,853 | 1,735 | 218,600 | 7,555,807 |
| Default rate | 2.82% | 9.90% | 17.30% | 22.60% | 98.50% | - |
| Lifetime ECL | (140,132) | (151,706) | (139,413) | (392) | (215,321) | (646,964) |
| Total | 4,857,106 | 1,380,676 | 666,440 | 1,343 | 3,279 | 6,908,843 |

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

· The contract is approved by the parties.

· Collectability is probable.

b) Amounts due from related parties

Amounts due from related parties arises from both sales made to sister companies and expenses incurred on behalf of related parties that are expected to be reimbursed.

Amounts due from related parties that are related to trade have no significant financing component, therefore, the provision matrix approach has been applied in determining the expected credit loss on these receivables.

The expected loss rates as at 31 December 2019 are as follows:

| Age of trade receivables | 0-30 days | 31-60 days | 61-90 days | 91-365 days | Over 365 days | Total |
|--------------------------|---------------|------------|------------|----------------|---------------|----------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | |
| Gross carrying amount | 10,471 | 525 | 300 | 246,691 | 97,145 | 355,133 |
| Default rate | 3% | 10% | 19% | 33% | 100% | - |
| Lifetime ECL | (340) | (53) | (56) | (82,269) | (97,145) | (179,863) |
| Total | 10,131 | 472 | 244 | 164,422 | - | 175,270 |

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

| Age of trade receivables | 0-30 days | 31-60 days | 61-90 days | 91-365 days | Over 365 days | Total |
|--------------------------|---------------|------------|----------------|--------------|---------------|----------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | |
| Gross carrying amount | 10,787 | - | 165,017 | 5,097 | 27,007 | 207,907 |
| Default rate | 2.10% | 9.90% | 17.30% | 22.60% | 98.50% | - |
| Lifetime ECL | (227) | - | (28,548) | (1,152) | (26,602) | (56,528) |
| Total | 10,560 | - | 136,469 | 3,945 | 405 | 151,379 |

ii) Amounts due from related parties (non-trade related)

This requires a three-stage approach in recognising the expected loss allowance for amounts due from related parties. The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at

The general approach has been adopted for recognizing expected credit loss on amounts due from related parties that arise as a result of expense incurred on behalf of related parties that are expected to be reimbursed as they do not meet the criteria for applying the simplified approach.

i) Amounts due from related parties (trade related)

The provision matrix approach is based on the historical credit loss experience observed according to the behavior of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered include inflation, gross domestic product (GDP) and exchange rate.

the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

| December 31 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------|-------------------|----------|----------|-------------------|
| | 12-month | Lifetime | Lifetime | |
| | ECL | ECL | ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD* | | | | |
| Loss allowance as at 31 | 30,518,482 | - | - | 30,518,482 |
| December 2019 | (1,390,118) | - | - | (1,390,118) |
| Net EAD | <u>29,128,364</u> | <u>-</u> | <u>-</u> | <u>29,128,364</u> |

| December 31 2018 | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------|-------------------|----------|----------|-------------------|
| | 12-month | Lifetime | Lifetime | |
| | ECL | ECL | ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD* | | | | |
| Loss allowance as at 31 | 60,360,761 | - | - | 60,360,761 |
| December 2019 | (2,361,995) | - | - | (2,361,995) |
| Net EAD | <u>57,998,766</u> | <u>-</u> | <u>-</u> | <u>57,998,766</u> |

The parameters used to determine impairment for amounts due from related parties that are not related to trade are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD)

equates the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

| Amounts due from related parties (non-trade related) | |
|--|---|
| Probability of Default (PD) | The rating of each related party receivable is used to determine the PD. All facilities except Dangote Cement have been assigned a B- rating with an associated year 1 PD of 0.64%. Dangote Cements rating of AA+ rating was mapped to Fitch's rating of B with an associated year 1 PD of 0.43%. |
| Loss Given Default (LGD) | The LGD was applied on unsecured exposures. The LGD was determined using the Moody's average corporate senior bond recovery rate of 37%. |
| Exposure at Default (EAD) | EAD is an estimation of the extent to which a financial entity may be exposed to a counterparty in the event of a default and at the time of the counterparty's default The EAD at every point in time is the balance from the previous month accumulated with interest and deducted for contractual repayments. |
| Forward Looking Information | In incorporating forward looking information, various macroeconomic variables such as GDP, Exchange rate, inflation rate, have been considered to determine how default rates should move over time. No significant relationship was identified. |
| Probability weightings | The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2006 - 2016. 89% weight was assigned to best case, 2% for optimistic and 9% for downturn |

The Company considers both quantitative and qualitative indicators (staging criteria) in classifying its related party receivables into the relevant stages for impairment calculation.

Impairment of related party receivables are recognised in three stages based on certain criteria such as:

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

ü Stage 1: This stage includes receivables at origination and receivables that do not have indications of a significant increase in credit risk.

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

ü Stage 3: This stage includes financial assets that have been assessed as being in default (e.g. receivables that are more than 90 days past

due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

c) Staff loans

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

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

The ECL was calculated based on actual credit loss experience from 2014, which is the date the Company initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Company considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty. See notes 4 and 23.2 for further details

December 31 2019

| | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Total ₦'000 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--------------------|
| Gross EAD* | | | | |
| Loss allowance as at 31 December 2019 | - | 63,476 (21,800) | 2,150 (2,150) | 65,626 (23,950) |
| Net EAD | - | 41,676 | - | 41,676 |

December 31 2018

| | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Total ₦'000 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--------------------|
| Gross EAD* | | | | |
| Loss allowance as at 31 December 2019 | - | 45,623 (22,875) | - | 45,623 (22,875) |
| Net EAD | - | 22,748 | - | 22,748 |

The parameters used to determine impairment for employee loan and advances are shown below.

| Staff Loans | |
|-----------------------------|---|
| Probability of Default (PD) | The rating of each staff is used to determine the PD. All facilities except for expired facilities have been assigned a C rating with an associated year 1 PD of 3.35%. Expired staff loans has been assigned a rating of D with an associated year 1 PD of 100%. |
| Loss Given Default (LGD) | The LGD was applied on unsecured exposures. The LGD was determined as 100% for all staff loans. |
| Exposure at Default (EAD) | <p>EAD is an estimation of the extent to which a financial entity may be exposed to a counterparty in the event of a default and at the time of the counterparty's default.</p> <hr/> <p>The EAD at every point in time is the balance from the previous month accumulated with interest and deducted for contractual repayments.</p> |
| Forward Looking Information | In incorporating forward looking information, the staff attrition rate was used as a proxy for the default rate. The attrition rate was forecasted by growing the attrition rate for the last historical point with the average growth rate for the historical period. |
| Probability weightings | The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2006 - 2016. 89% weight was assigned to best case, 2% for optimistic and 9% for downturn. |

d) Cash and cash equivalents

The Company also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses on cash as at 1 January 2019 and 31 December 2019 to be insignificant, as the loss rate is deemed immaterial. Cash are assessed to be in stage 1.

e) Deposit for Open Letters of Credit with the banks"

"The Company also assessed its deposits for open letters of credit with banks to determine their expected credit losses. Based on this assessment, they identified the expected losses on this financial asset as at 1 January 2018 and 31 December 2018 to be insignificant, as the loss rate is deemed immaterial. Deposit for open Letters of Credit with the banks are assessed to be in stage 1."

Cash at bank and short-term bank deposits

Counterparties with external credit rating (Fitch)****

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|-----------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| B- | - | 4,052,793 | - | 4,052,793 |
| B | 1,102,856 | 3,263,791 | 1,102,856 | 3,263,791 |
| B+ | - | 12,478,860 | - | 12,478,860 |
| BBB | 5,363,221 | - | 5,363,221 | - |
| A- | 2,619,122 | 916,916 | 2,619,122 | 916,916 |
| A | 8,086,055 | - | 8,086,055 | - |
| AAA | 4,555,838 | - | 4,555,838 | - |
| No rating | 2,884,435 | 869,934 | 1,936,310 | 455,448 |
| | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |

****B+, B and B-: Highly speculative, indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

BBB: Good credit quality, denotes expectations of default risk are currently low, The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

A & A-: High credit quality, denotes expectations of low default risk, capacity for payment of financial commitments is considered strong, but may more vulnerable to adverse business or economic conditions than is the case for higher ratings.

AAA: Highest credit quality, denotes the lowest expectations of default risk, exceptionally strong capacity for payment of financial commitments

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fluctuations in interest rates on its borrowings. The Group pays fixed/floating rate interest on its borrowings. The company actively monitors interest rate exposures on its investment portfolio and borrowings so as to minimise the effect of interest rate fluctuations on the income statement. The risk on borrowings is managed

by the company by maintaining an appropriate mix between fixed and floating rate borrowings. All loans, cash and cash equivalent are fixed interest based and therefore the company does not have any exposure to the risk of changes in market rates.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for related party loan at the prevailing market interest rate of 13.5% at the end of the reporting period. A 250 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A 250 basis points reflects a N50 million impact on finance cost. A positive number below indicates an increase in profit or equity for a 250 basis points change in the finance cost. A negative number below indicates a decrease in profit or equity for a 250 basis points change in the finance cost.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is limited to foreign currency purchases of operating materials (e.g. finished equipment and other inventory items) and trade receivables that are denominated in foreign currencies. Foreign exchange exposure is monitored by the Group's treasury unit.

The Naira carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| Company | 31/12/2019 | | | 31/12/2018 | | |
|---|-----------------|----------------|---------------------|-----------------|----------------|---------------------|
| | Euro (€) | GBP (£) | USD (\$) | Euro (€) | GBP (£) | USD (\$) |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Cash and cash equivalents | - | - | 46,864 | - | - | 2,619 |
| Trade payables | - | - | (31,048,544) | - | - | (29,731,873) |
| Amount due from/(to) related parties | (93,323) | 976,513 | 366,384 | (51,833) | 713,121 | 344,329 |
| Net exposure | (93,323) | 976,513 | (30,635,295) | (51,833) | 713,121 | (29,384,926) |
| Group | | | | | | |
| Cash and cash equivalents | - | - | 46,864 | - | - | 2,619 |
| Trade payables | - | - | (31,048,544) | - | - | (29,731,873) |
| Amount due from/(to) related parties | (93,323) | 976,513 | 366,384 | (51,833) | 713,121 | 344,329 |
| Net exposure | (93,323) | 976,513 | (30,635,295) | (51,833) | 713,121 | (29,384,926) |

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Company expects its foreign exchange contracts to hedge foreign exchange exposure.

The following significant exchange rates applied during the year

| | Average rate | | Reporting date spot rate | |
|----------|--------------|------------|--------------------------|------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦ | ₦ | ₦ | ₦ |
| Euro (€) | 392.88 | 375.00 | 375.75 | 410.00 |
| GBP (£) | 444.00 | 429.00 | 440.00 | 448.00 |
| USD (\$) | 347.75 | 338.50 | 338.50 | 357.00 |

Sensitivity analysis on foreign currency

A fifteen percent (15%) strengthening of the Naira, against the Euro, Dollar and GBP at 31 December would have increased/(decreased) income statement and equity by the amounts shown below. This analysis is based on foreign

currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | GROUP | GROUP | COMPANY | COMPANY |
|----------|-------------|-------------|-------------|-------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Euro (€) | (13,998) | (7,775) | (13,998) | (7,775) |
| GBP (£) | 146,477 | 106,968 | 146,477 | 106,968 |
| USD (\$) | (4,595,294) | (4,407,739) | (4,595,294) | (4,407,739) |

A fifteen percent (15%) weakening of the Naira against the above currencies would have had the equal but opposite effect on the above currencies to the magnitude of the amounts shown above, on the basis that all other variables remain constant.

33 Financial assets by category

The accounting policies for financial instruments have been applied to the line items below

| Assets | GROUP | GROUP | COMPANY | COMPANY |
|-----------------------------|-------------------|-------------------|--------------------|--------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other receivables | 22,554,786 | 34,552,160 | 104,875,429 | 87,900,236 |
| Cash and cash equivalents | 24,611,528 | 21,582,294 | 23,663,403 | 21,167,809 |
| | 47,166,314 | 56,134,454 | 128,538,832 | 109,068,045 |

34 Financial liabilities by category

| Liabilities | GROUP | GROUP | COMPANY | COMPANY |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Borrowings | 1,345,226 | 1,470,755 | - | - |
| Trade and other payables | 63,223,853 | 54,497,731 | 59,304,650 | 51,428,633 |
| | 64,569,079 | 55,968,486 | 59,304,650 | 51,428,633 |

35 Related party information

35.1 Related parties and Nature of relationship and transactions

| Related parties | Nature of relationship and transactions |
|--|---|
| Dansa Foods Limited | An entity controlled by key management personnel of the Company that has trading relationship with the Company. |
| NASCON Allied Industries PLC | Fellow subsidiary from which the Company purchases raw salt as input in the production process |
| Bluestar services Limited | Fellow subsidiary Company that provides clearing and stevedoring services |
| Savannah Sugar Company Limited | Subsidiary- Backward integrated project |
| Taraba Sugar Company Limited | Subsidiary- Backward integrated project |
| Adamawa Sugar Company Limited | Subsidiary- Backward integrated project |
| Nassarawa Sugar Company Limited | Subsidiary- Backward integrated project |
| Dangote Niger Sugar Limited | Subsidiary- Backward integrated project |
| Dangote Global Services Limited (UK) | Subsidiary- Payment for foreign procurements |
| Dangote Oil and Gas Company Limited | Fellow subsidiary - Supply of AGO and LPFO |
| Dangote Industries Limited | Parent company that provides management support and receives 7.5% of total reimbursables as management fees |
| Dancom Technologies Limited | Fellow subsidiary - Supply of IT services |
| MHF Properties Limited | Fellow subsidiary - Property rentals. |
| Greenview Development Company Limited | Fellow subsidiary - Property rentals. |
| Kura Holdings Limited | Fellow subsidiary - Travel services |
| Dangote Flour Mills PLC | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Pasta Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Noodles Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Fertilizer Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Port Operations Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| AG Dangote Construction Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Rice Limited | Fellow subsidiary- Incurs expenses on each other's behalf |
| Dangote Nigeria Limited Clearing | Fellow subsidiary- Incurs expenses on each other's behalf |
| Aliko Dangote Foundation | Under common control-Incurs expenses on each other's behalf |
| Dangote Sinotrucks west Africa Limited | Fellow subsidiary- Supply of fleet trucks |
| Dangote Cement Plc | Fellow subsidiary - exchange of diesel and LPFO |
| Dangote Agrosacks Nigeria Limited | Fellow subsidiary- Supplies empty for bagging of finished sugar |

35.1 Related party transactions

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|---------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Sales of goods and services | | | | |
| Dangote Industries Limited | 93,371 | 168,821 | 93,371 | 168,821 |
| Kura Holdings Limited | - | 72,757 | - | 72,757 |
| NASCON Allied Industries PLC | 104,530 | 13,824 | 104,530 | 13,824 |
| Dangote Fertilizer Limited | 525 | - | 525 | - |
| Greenview Development Nigeria Limited | - | 67,964 | - | 67,964 |
| Aliko Dangote Foundation | - | 36,420 | - | 36,420 |
| Dangote Cement PLC | - | 921 | - | 921 |
| | 198,426 | 360,707 | 198,426 | 360,707 |
| Purchase of goods and services | | | | |
| Dangote Cement PLC | 1,937,915 | 3,759,466 | 1,937,915 | 3,759,466 |
| Greenview Development Nigeria Limited | 2,361,334 | 3,317,856 | 2,361,334 | 3,317,856 |
| Dangote Agrosacks Limited | 2,763,395 | 2,333,539 | 2,763,395 | 2,333,539 |
| Kura Holdings Limited | 37,398 | 72,757 | 37,398 | 72,757 |
| Dangote Flour Mills PLC | - | 866,529 | - | 866,529 |
| Dangote Oil and Gas Company Limited | 1,296,701 | 2,833,844 | 1,296,701 | 2,833,844 |
| Bluestar Shipping line Limited | 567,836 | 127,008 | 567,836 | 127,008 |
| Dangote Global Services Limited (UK) | 1,039,874 | 1,029,725 | 1,039,874 | 1,029,725 |
| NASCON Allied Industries PLC | 126,837 | 241,600 | 126,837 | 241,600 |
| Dancom Technologies Limited | 103,396 | 88,526 | 103,396 | 88,526 |
| MHF Properties Limited | 12,824 | 11,244 | 12,824 | 11,244 |
| Dangote Sinotruck west Africa Limited | 1,931,512 | 2,331,000 | 1,931,512 | 2,331,000 |
| Dangote Industries Limited | 202,904 | 1,139,593 | 202,904 | 1,139,593 |
| | 12,381,926 | 18,152,687 | 12,381,926 | 18,152,687 |
| Management fees | | | | |
| Dangote Industries Limited | 782,211 | 1,090,312 | 782,211 | 1,090,312 |
| | 782,211 | 1,090,312 | 782,211 | 1,090,312 |

| 35.2 Amount owed by related parties | GROUP | GROUP | COMPANY | COMPANY |
|--|---------------------|---------------------|---------------------|---------------------|
| | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 | 31/12/2019 ₦'000 | 31/12/2018 ₦'000 |
| Dangote Taraba Sugar Limited | - | - | 1,855,079 | 1,832,392 |
| Dangote Adamawa Sugar Limited | - | 58,849 | 5,256,256 | 846,626 |
| Nassarawa Sugar Company Limited | - | - | 16,068,891 | 6,731,213 |
| Savannah Sugar Company Limited | - | - | 60,430,072 | 45,719,711 |
| Dansa Foods Limited | - | 28,997 | - | 28,997 |
| Dangote Global Services Limited (UK) | 973,781 | 1,005,617 | 973,781 | 1,005,617 |
| Dangote Flour Mills PLC | - | 851,334 | - | 851,334 |
| Dangote Pasta Limited | - | 56,918 | - | 56,918 |
| Dangote Noodles Limited | - | 11,800 | - | 11,800 |
| NASCON Allied Industries PLC | 171,716 | 116,457 | 171,716 | 116,457 |
| Dangote Oil and Gas Company Limited | - | 930,874 | - | 930,874 |
| Dangote Sinotruck west Africa Limited | 17,800 | - | - | - |
| Greenview Development Nigeria Limited | 1,537,512 | 1,586,115 | 1,537,512 | 1,586,115 |
| Dangote Fertilizer Limited | 1,119,485 | 1,229,573 | 1,119,485 | 1,229,573 |
| Dancom Technologies Limited | 8,844 | - | - | - |
| AG Dangote Construction Limited | 849,097 | 829,823 | 849,097 | 829,823 |
| MHF Properties Limited | - | 3,036 | - | 3,036 |
| Bluestar Shipping line Limited | 3,282 | 10,819 | - | 10,819 |
| Dangote Rice Limited | - | 3,029,311 | - | 3,029,311 |
| Dangote Cement PLC | 1,339,072 | 805,907 | 1,339,072 | 805,907 |
| Dangote Industries Limited | - | 1,023,577 | - | 1,027,577 |
| Gross amount due from related parties (Note 23) | 6,020,588 | 11,579,007 | 89,600,961 | 66,654,100 |
| Allowance for impaired -related parties Trade (Note 23.2) | (179,863) | (56,528) | (179,863) | (56,528) |
| Allowance for impaired -related parties Non-Trade (Note 23.2) | (377,406) | (240,736) | (1,390,118) | (2,361,995) |
| | 5,463,319 | 11,281,743 | 88,030,980 | 64,235,577 |
| Amount owed to related parties | | | | |
| Dangote Cement PLC | 4,612,559 | 7,357,033 | 3,137,155 | 5,774,880 |
| Greenview Development Nigeria Limited | 693 | 694 | - | - |
| Dangote Niger Sugar Limited | - | - | 46,843 | 46,843 |
| Dangote Agrosacks Limited | 729,002 | 448,120 | 714,687 | 388,918 |
| Dangote Oil and Gas Company Limited | 322,646 | - | 322,646 | - |
| Kura Holdings Limited | 34,569 | 5,056 | 34,569 | 5,056 |
| Bluestar Shipping line Limited | 265,793 | 156,188 | 265,793 | 156,188 |
| MHF Properties Limited | 550 | - | 550 | - |
| Dancom Technologies Limited | 10,387 | 53,123 | 7,637 | 61,967 |
| Dangote Nigeria Limited Clearing | 14,569 | 30,542 | 14,569 | 30,542 |
| Aliko Dangote Foundation | - | 9,468 | - | 9,468 |
| Dangote Sinotruck west Africa Limited | 3,274,887 | 2,058,028 | 3,274,887 | 2,058,028 |
| Dangote Industries Limited | 1,134,536 | 122,737 | 1,051,408 | 39,609 |
| | 10,400,190 | 10,240,991 | 8,870,743 | 8,571,500 |

35.3 Sales of goods to related parties were made at the Company's usual market price at arms' length prices on the same terms as would have been sold to a third party. Purchases were also made at arms' length prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Dangote Industries Limited (DIL) in recognition of the requirement of transfer pricing regulations

that all transactions between connected taxable persons shall be carried out in a manner that is consistent with arm's length principle has come up with basis of computing its management fees and royalty taking into cognizance certain principles.

Royalty payment shall be made in addition to management fees payable from 1 January 2015 at the rate of 0.5% of the total revenue.

35.4 Loans to and from related parties

There are no related party loans as at 31 December 2019.

35.5 Key Management Personnel

List of Directors of Dangote Sugar Refinery Plc

| | | |
|---|----------------------------|--------------|
| 1 | Alh. Aliko Dangote (GCON) | Chairman |
| 2 | Alh. Sani Dangote | Board Member |
| 3 | Mr. Olakunle Alake | Board Member |
| 4 | Mr. Uzoma Nwankwo | Board Member |
| 5 | Ms. Bennedikter Molokwu | Board Member |
| 6 | Dr. Konyinsola Ajayi (SAN) | Board Member |
| 7 | Alh. Abdu Dantata | Board Member |
| 8 | Ms. Maryam Bashir | Board Member |

Mrs. Temitope Hassan Company Secretary/Legal Adviser

List of key management staff

| | | |
|---|----------------------------|--------------------------------------|
| 1 | Mr. Ravindra Singhvi | Ag. Managing Director |
| 2 | Mrs. Adebola Falade | Chief Finance officer |
| 3 | Mrs. Temitope Hassan | Company Secretary/Legal Adviser |
| 4 | Mr. Thiru Rajaseker | General Manager Refinery |
| 5 | Mr. Idowu Adenopo | Chief Internal Auditor |
| 6 | Mr. John Omoera | General Manager, Supply Chain |
| 7 | Mr. Sadiq Bello | General Manager, Sales and marketing |
| 8 | Mr. Hassan Salisu | Head, Human Resources and Admin |
| 9 | Mr. Fatay Olamilekan Jimoh | Head, Risk Management |

35.6 Compensation to directors and other key management

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Short-term employee benefits | <u>145,582</u> | <u>145,582</u> | <u>137,257</u> | <u>137,257</u> |

36 Employee costs

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2019 ₦'000 | COMPANY 31/12/2018 ₦'000 |
|--------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Direct employee costs | | | | |
| Basic | 1,364,594 | 1,198,393 | 1,117,362 | 995,733 |
| Bonus | - | 82,565 | - | 82,565 |
| Medical claims | 34,665 | 25,684 | 11,183 | 6,273 |
| Leave allowance | 581,968 | 143,567 | 576,777 | 124,871 |
| Short term benefits | 1,450,178 | 2,506,257 | 1,138,410 | 1,569,043 |
| Other short term costs | 641,946 | 388,402 | 126,842 | 176,411 |
| Pension | 18,833 | 178,928 | 18,833 | 147,195 |
| Termination benefits | 27,933 | 24 | 27,933 | - |
| | <u>4,120,117</u> | <u>4,523,820</u> | <u>3,017,340</u> | <u>3,102,091</u> |
| Indirect employee costs | | | | |
| Basic | 368,746 | 1,179,759 | 362,773 | 521,296 |
| Bonus | 76 | 36,130 | 76 | 12,710 |
| Medical claims and allowance | 138,648 | 2,191 | 70,004 | 2,191 |
| NSITF and ITF levies | 163,265 | 78,598 | 148,128 | 78,598 |
| Short term benefits | 684,152 | 605,212 | 483,832 | 778,887 |
| Other short term costs | 1,264,755 | 386,234 | 758,034 | 251,911 |
| Pension | 33,758 | 76,724 | 29,095 | 76,724 |
| Termination benefits | 25,282 | - | - | - |
| | <u>2,678,682</u> | <u>2,364,848</u> | <u>1,851,942</u> | <u>1,722,317</u> |
| Total employee costs | | | | |
| Direct employee cost | 4,120,117 | 4,523,820 | 3,017,340 | 3,102,091 |
| Indirect employee cost | <u>2,678,682</u> | <u>2,364,848</u> | <u>1,851,942</u> | <u>1,722,317</u> |
| | <u>6,798,799</u> | <u>6,888,668</u> | <u>4,869,282</u> | <u>4,824,408</u> |

Average number of persons employed during the year was:

| | 31/12/2019 Number | 31/12/2018 Number | 31/12/2019 Number | 31/12/2018 Number |
|--------------|----------------------|----------------------|----------------------|----------------------|
| Management | 114 | 94 | 95 | 86 |
| Senior Staff | 525 | 494 | 354 | 342 |
| Junior Staff | 1,848 | 1,820 | 1,143 | 1,164 |
| | <u>2,487</u> | <u>2,408</u> | <u>1,592</u> | <u>1,592</u> |

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

| | GROUP 2019 Number | GROUP 2018 Number | COMPANY 2019 Number | COMPANY 2018 Number |
|--------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| N200,000 - N600,000 | 533 | 539 | 533 | 539 |
| N600,001 - N700,000 | 21 | 8 | 21 | 8 |
| N700,001 - N800,000 | - | 9 | - | 3 |
| N800,001 - N900,000 | 50 | 219 | 7 | 19 |
| N900,001 - N1,000,000 | 184 | 323 | 12 | 185 |
| N1,000,001 - N2,000,000 | 1,048 | 786 | 475 | 398 |
| N2,000,001 - N3,000,000 | 289 | 257 | 228 | 205 |
| N3,000,001 - N4,000,000 | 110 | 77 | 93 | 60 |
| N4,000,001 - N5,000,000 | 59 | 46 | 49 | 39 |
| N5,000,001 - N6,000,000 | 50 | 68 | 45 | 63 |
| N6,000,001 - N7,000,000 | 56 | 25 | 51 | 24 |
| N7,000,001 - N8,000,000 | 27 | 16 | 27 | 16 |
| N8,000,001 - N9,000,000 | 13 | 5 | 12 | 4 |
| N9,000,001 - N10,000,000 | 8 | 9 | 7 | 9 |
| N10,000,001 and above | 39 | 21 | 32 | 20 |
| | <u>2,487</u> | <u>2,408</u> | <u>1,592</u> | <u>1,592</u> |
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |

37 Directors' emoluments

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Fees | 33,000 | 24,500 | 33,000 | 24,500 |
| Salaries | - | 37,812 | - | 37,812 |
| Others | 149,659 | 126,682 | 149,659 | 126,682 |
| | <u>182,659</u> | <u>188,994</u> | <u>182,659</u> | <u>188,994</u> |
| Emoluments of the highest paid Director | <u>25,118</u> | <u>37,812</u> | <u>25,118</u> | <u>37,812</u> |
| The emoluments of the chairman of the Board of Directors | <u>24,571</u> | <u>17,584</u> | <u>24,571</u> | <u>17,584</u> |

The number of Directors excluding the chairman with gross emoluments within the bands stated below were:

| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
|------------------|------------|------------|------------|------------|
| ₦'000 | | | | |
| 0 - 19,000 | 6 | 8 | 6 | 8 |
| 25,0001 - 26,000 | 1 | - | 1 | - |
| 32,000 and above | - | 1 | - | 1 |
| | <u>7</u> | <u>9</u> | <u>7</u> | <u>9</u> |

38 Events after the reporting period (IAS 10)

On the 30th of January, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of Coronavirus, which has been code-named COVID-19. The WHO, however, on March 11th, 2020 declared the outbreak as a pandemic, and it has continued to spread globally. As at the date of this report, several cases have been confirmed in Nigeria by the Nigeria Centre for Disease Control.

Measures taken to contain the spread of COVID-19 affected economic activities as the President of the Federal Republic of Nigeria directed a restriction/cessation of movement in Lagos State, Ogun State and the Federal Capital Territory (FCT) Abuja. Commercial establishments including food processing, distribution and retail companies were however exempted.

Operating as one of the commercial establishments in food processing and distribution, the company continued operations having activated the Business Continuity Plan (BCP) to ensure all possible disruptions to operations were addressed while minimizing the effect of COVID-19 on employees, suppliers and other key stakeholders. Within the lockdown period, employees on essential duty were transported safely between their homes and the company's premises, whilst leveraging technology and online tools to support others working remotely.

In response to the COVID-19 impact on the global economy, the consequent fall in oil prices and reduction in supply of foreign exchange in the country, the Central Bank of Nigeria on the 21st of March 2020, adjusted the official Foreign exchange rate by 17.6% (i.e. increasing it from N306/\$1 to N360/\$1) whilst the "market-determined" Investor and Exporter window was adjusted by 5.6% (i.e. increasing it from N360/\$ to N380/\$). Outstanding obligations in respect

of Letters of Credit will be impacted by this and other foreign exchange rate adjustments.

Furthermore there will be an increase in cost-to-completion in Naira terms, of the company's Backward Integration Programme given that the equipment for this programme is largely imported. Possible delays in establishment of Letters of Credit for importation are anticipated which will have a knock on impact on the programme timelines. The exact impact in terms of amount and timelines extension is yet to be determined.

It is currently impractical to make an accurate assessment and disclosure of the overall financial impact of the COVID-19 Pandemic on the Company and Group's business. However, Management has considered the potential implications of COVID-19 pandemic and have put in place measures to mitigate against a significant impairment of the carrying value of assets. The management is confident that there are no plans to liquidate any of the Company's operations or to cease trading.

However, it is reasonably possible, that within the next financial year assumptions used as basis of estimates and judgement could change which may require a material adjustment to the carrying amounts of the assets or liabilities affected.

39 Capital Commitment

As at 31 December, 2019, there were capital commitments in respect of the Lagos factory expansion which amounted to N3.4billion (2018: N388.6 million)

40 Contingent assets and Contingent liabilities

There were no contingent assets and liabilities as at 31 December 2019 (2018: Nil)

| GROUP | 2019 ₦'000 | 2019 % | 2018 ₦'000 | 2018 % |
|---|-------------------|------------|-------------------|------------|
| Value Added | | | | |
| Revenue | 161,085,778 | | 150,373,083 | |
| Bought - in materials and services | (119,011,031) | | (106,128,487) | |
| Fair Value adjustment | (313,472) | | (325,294) | |
| Other income | 1,326,283 | | 3,104,508 | |
| | <u>43,087,557</u> | <u>100</u> | <u>47,023,810</u> | <u>100</u> |
| Value Distributed | | | | |
| To Pay Employees | | | | |
| Salaries, wages, medical and other benefits | 6,798,799 | | 6,888,668 | |
| | <u>6,798,799</u> | <u>16</u> | <u>6,888,668</u> | <u>16</u> |
| To Pay Providers of Capital | | | | |
| Finance costs | 516,210 | | 293,243 | |
| | <u>516,210</u> | <u>1</u> | <u>293,243</u> | <u>1</u> |
| To Pay Government | | | | |
| Income tax | 12 11,016,507 | | 12,341,316 | |
| | <u>11,016,507</u> | <u>26</u> | <u>12,341,316</u> | <u>26</u> |
| To be retained in the business for expansion and future wealth creation: | | | | |
| Value reinvested | | | | |
| Depreciation, amortisation and impairments | 5,952,118 | | 5,240,842 | |
| Deferred tax | 12 (3,557,353) | | 283,273 | |
| | <u>2,394,765</u> | <u>6</u> | <u>5,524,115</u> | <u>12</u> |
| Value retained | | | | |
| Retained profit | 22,448,353 | | 22,169,192 | |
| Non-controlling interest | (87,077) | | (192,724) | |
| | <u>22,361,275</u> | <u>52</u> | <u>21,976,468</u> | <u>47</u> |
| Total Value Distributed | <u>43,087,557</u> | <u>100</u> | <u>47,023,810</u> | <u>100</u> |

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

"Value added" is the measure of wealth the Group has created in its operations by "adding value" to the cost of products and services. The statement below summarises the total wealth

created and shows how it was shared by employees and other parties who contributed to its creation. Also set out below is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations.

STATEMENT OF VALUE ADDED *Cont'd*

| COMPANY | 2019 ₦'000 | 2019 % | 2018 ₦'000 | 2018 % |
|---|-------------------|------------|-------------------|------------|
| Value Added | | | | |
| Revenue | 158,104,577 | | 146,549,176 | |
| Bought - in materials and services | (114,222,299) | | (102,449,285) | |
| Fair Value adjustment | - | | - | |
| Other income | 770,458 | | 2,769,345 | |
| | <u>44,652,735</u> | <u>100</u> | <u>46,869,235</u> | <u>100</u> |
| Value Distributed | | | | |
| To Pay Employees | | | | |
| Salaries, wages, medical and other benefits | 4,869,282 | | 4,824,408 | |
| | <u>4,869,282</u> | <u>11</u> | <u>4,824,408</u> | <u>10</u> |
| To Pay Providers of Capital | | | | |
| Finance costs | 270,868 | | 67,127 | |
| | <u>270,868</u> | <u>1</u> | <u>67,127</u> | <u>0</u> |
| To Pay Government | | | | |
| Income tax | 12 11,016,507 | | 12,341,316 | |
| | <u>11,016,507</u> | <u>25</u> | <u>12,341,316</u> | <u>26</u> |
| To be retained in the business for expansion and future wealth creation: | | | | |
| Value reinvested | | | | |
| Depreciation, amortisation and impairments | 4,683,342 | | 3,522,170 | |
| Deferred tax | 12 (290,082) | | 283,273 | |
| | <u>4,393,260</u> | <u>54</u> | <u>3,805,443</u> | <u>8</u> |
| Value retained | | | | |
| Retained profit | 24,102,818 | | 25,830,941 | |
| Non-controlling interest | - | | - | |
| | <u>24,102,818</u> | <u>54</u> | <u>25,830,941</u> | <u>55</u> |
| Total Value Distributed | <u>44,652,734</u> | <u>100</u> | <u>46,869,235</u> | <u>100</u> |

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

"Value added" is the measure of wealth the Group has created in its operations by "adding value" to the cost of products and services. The statement below summarises the total wealth

created and shows how it was shared by employees and other parties who contributed to its creation. Also set out below is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations.

Group as at December 31, 2018

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 | COMPANY 31/12/2015 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Non-current assets | 93,437,880 | 71,441,221 | 66,592,631 | 58,743,476 | 59,065,376 |
| Current assets | 99,399,394 | 102,806,764 | 127,623,171 | 112,561,335 | 42,302,121 |
| Assets of disposal groups held for sale | 868,642 | 868,642 | 864,647 | 864,647 | 864,647 |
| Total assets | 193,705,916 | 175,116,627 | 195,080,449 | 172,169,458 | 102,232,144 |
| Liabilities | | | | | |
| Non-current liabilities | 8,029,989 | 6,735,540 | 6,679,887 | 6,766,548 | 5,150,119 |
| Current liabilities | 77,539,463 | 69,405,899 | 95,664,927 | 99,250,880 | 39,325,933 |
| Total liabilities | 85,569,452 | 76,141,439 | 102,344,814 | 106,017,428 | 44,476,052 |
| Equity | | | | | |
| Share capital and premium | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 |
| Retained income | 96,258,578 | 87,010,225 | 80,577,948 | 54,092,393 | 45,706,317 |
| Non-controlling interest | (442,638) | (355,561) | (162,837) | (260,887) | (270,749) |
| Total equity | 108,136,464 | 98,975,188 | 92,735,635 | 66,152,030 | 57,756,092 |
| Total equity and liabilities | 193,705,916 | 175,116,627 | 195,080,449 | 172,169,458 | 102,232,144 |
| Profit and loss account | | | | | |
| Revenue | 161,085,778 | 150,373,083 | 204,422,379 | 169,724,936 | 101,057,905 |
| Profit before taxation | 29,820,430 | 34,601,057 | 53,598,868 | 19,614,434 | 16,155,609 |
| Profit for the year | 22,361,276 | 21,976,468 | 39,783,605 | 14,395,938 | 11,142,372 |
| Per share data (Naira) | | | | | |
| Earnings per share (Basic and diluted) | 1.87 | 1.85 | 3.31 | 1.20 | 0.93 |
| Net assets per share | 9.01 | 8.25 | 5.51 | 5.51 | 4.81 |

Earnings per share are based on profit after tax and the weighted number of issued and fully paid ordinary shares at the end of each financial year.

Company as at December 31, 2018

| | GROUP 31/12/2019 ₦'000 | GROUP 31/12/2018 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 | COMPANY 31/12/2015 ₦'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Non-current assets | 36,317,858 | 33,585,972 | 38,815,554 | 32,819,554 | 33,394,366 |
| Current assets | 160,942,623 | 144,069,097 | 156,384,463 | 141,909,778 | 72,412,320 |
| Assets of disposal groups held for sale | 868,642 | 868,642 | 864,647 | 864,647 | 864,647 |
| Total assets | 198,129,122 | 178,523,711 | 196,064,664 | 175,593,979 | 106,671,333 |
| Liabilities | | | | | |
| Non-current liabilities | 6,693,928 | 5,309,997 | 5,212,819 | 5,299,480 | 4,768,318 |
| Current liabilities | 73,352,250 | 66,033,588 | 91,644,487 | 95,709,749 | 35,516,958 |
| Total liabilities | 80,046,178 | 71,343,585 | 96,857,306 | 101,009,229 | 40,285,276 |
| Equity | | | | | |
| Share capital and premium | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 |
| Retained income | 105,762,420 | 94,859,602 | 86,886,834 | 62,264,226 | 54,065,533 |
| Total equity | 118,082,944 | 107,180,126 | 99,207,358 | 74,584,750 | 66,386,057 |
| Total equity and liabilities | 198,129,122 | 178,523,711 | 196,064,664 | 175,593,979 | 106,671,333 |
| Profit and loss account | | | | | |
| Revenue | 158,104,577 | 146,549,176 | 198,120,639 | 167,409,161 | 100,092,221 |
| Profit before taxation | 34,829,243 | 38,455,530 | 54,882,983 | 20,759,524 | 18,144,955 |
| Profit for the year | 24,102,818 | 25,830,941 | 37,822,609 | 14,198,693 | 12,659,855 |
| Per share data (Naira) | | | | | |
| Earnings per share (Basic and diluted) | 2.01 | 2.15 | 3.15 | 1.18 | 1.05 |
| Net assets per share | 9.84 | 8.93 | 6.22 | 6.22 | 5.53 |

Earnings per share are based on profit after tax and the weighted number of issued and fully paid ordinary shares at the end of each financial year.



VITAMIN A FORTIFIED REFINED GRANULATED WHITE SUGAR



Guaranteed Sweetness

www.dangotesugar.com.ng facebook.com/dangotesugarrefinery

[@dangote_sugar](https://twitter.com/dangote_sugar) [dangotesugar](https://instagram.com/dangotesugar) [Dangote Sugar Refinery Plc](https://linkedin.com/company/dangote-sugar-refinery-plc) [+DangotesugarNG](https://plus.google.com/+DangotesugarNG)

**SHAREHOLDING
& OTHER INFORMATION**



| Year | Authorized [N'000] | | Authorized [000] | | Issued & Fully Paid Up [N'000] | | Issued & Fully Paid [N'000] | | Consideration |
|----------|--------------------|------------|------------------|---------------|--------------------------------|------------|-----------------------------|---------------|---------------------------------------|
| | Increase | Cumulative | No. of Shares | No. of Shares | Increase | Cumulative | No. of Shares | No. of Shares | |
| 27-12-04 | 50,000 | 50,000 | 50,000 | 50,000 | 500 | 500 | 500 | 500 | Cash |
| 30-06-06 | 0 | 50,000 | 50,000 | 50,000 | 49,500 | 50,000 | 50,000 | 50,000 | Scheme Shares |
| 26-07-06 | 5,950,000 | 5,000,000 | 12,000,000 | 12,000,000 | 4,950,000 | 5,000,000 | 10,000,000 | 10,000,000 | Bonus & Stock Split from N1.00 to 50k |
| 27-03-08 | 0 | 5,000,000 | 12,000,000 | 12,000,000 | 1,000,000 | 6,000,000 | 12,000,000 | 12,000,000 | Bonus |

Your shareholding in Dangote Sugar Refinery Plc entitles you, as a part owner of the company, to certain rights including the right: -

- To attend, speak, vote at general meetings either in person or by proxy.
- To receive dividends when declared/approved on your ordinary shares
- To receive certain company documents, e.g the annual reports and accounts/the Annual General Meeting documents where applicable each year.

If you do not have your name on the shareholder register because you hold your shares through a nominee, your nominee will receive any company documents sent to shareholders. Please arrange with your nominee if you wish to receive such documents and to be able to attend and, on a poll, vote at general meetings.

Financial Reports

Any shareholder has the right to be furnished, on demand, free of charge, a copy of the company's financial statements. The annual report and financial statement is available for download on our website, www.dangotesugar.com.ng, or the Registrars' website www.veritasregistrars.com.

E-Report

To improve delivery of our Annual Report, a detachable Form has been inserted in the Annual Report, and hereby request Shareholders who wish to receive the Annual Report of the Company in an electronic format to complete and return the Form to the Registrars for further processing.

Share Certificates

Your Dangote Sugar Refinery Plc Share certificate is evidence of your shareholding in the company and should be kept in a safe place. If you hold your shares through a nominee account or through the Central Securities Clearing System (CSCS) you will not have a share certificate. The nominal or 'par' value of a Company's shares is shown on the share certificate. The current nominal value of

Dangote Sugar Refinery Plc's one ordinary shares is 50k each.

Shareholder Queries

If you have any questions about your shareholding or share certificates, (including the replacement of lost certificates or the consolidation of several certificates into one); or if you require any other guidance (e.g. to notify a change of address or to give dividend instructions to a bank account), please contact our Registrars at: -

VERITAS Registrars Limited
Plot 89A Ajose Adeogun Street,
P. O Box 75315
Victoria Island
Lagos

Unclaimed Dividends and Share Certificates

Shareholders have been informed that some dividend warrants and share certificates have been returned to the Registrars' office unclaimed, because the addresses could not be traced. The unclaimed dividend list is published on the website, www.dangotesugar.com.ng, for the shareholders attention. Affected shareholders should please contact the Registrars at the address indicated above in respect of the share certificates, and unclaimed dividends.

CHANGES IN PERSONAL CIRCUMSTANCES

All shareholders should advise the Registrars in writing of any of the following: -

- Change of address
- Change of name
- Change in bank details if your dividends are mandated
- If a shareholder dies

SHAREHOLDER RELATIONS/CORPORATE CONTACTS

Registrars
 VERITAS REGISTRARS LIMITED
 PLOT 89A, AJOSE ADEOGUN STREET,
 VICTORIA ISLAND,
 LAGOS

Company Secretariat and Registered Office

Dangote Sugar Refinery Plc
3rd Floor, GDNL Building
Terminal E, Shed 20
NPA Wharf Port Complex
Apapa, Lagos
mydsr.shares@dangote.com
srefinery@dangote.com
www.dangotesugar.com.ng

Corporate Communications Contact

Ngozi Ngene
+234 80714 90714
+234 81509 83259
ngozi.ngene@dangote.com
dangotesugar@dangotesugar.com.ng

UNCLAIMED DIVIDEND POSITION AS AT DECEMBER 31, 2019

The Company has been declaring Dividend since it became a public Company in March 2007. Currently, the dividend account indicates that some dividend warrants have not been presented to the Bank for payment, while others were returned to the Registrar unclaimed, because the addresses have changed or could not be traced.

| FINANCIAL YEAR | DIVIDEND NO. | FINAL/INTERIM | TOTAL DIVIDEND (N) | NET AMOUNT UNCLAIMED AS AT 31/12/2019 |
|-----------------------|---------------------|----------------------|---------------------------|--|
| 31/12/2006 | 1 | FINAL | 11,388,819,816.78 | 62,242.97 |
| 31/12/2007 | 2 | INTERIM 1 | 3,433,139,219.03 | 69,796.41 |
| 31/12/2007 | 3 | INTERIM 2 | 3,257,223,236.85 | 225,119.44 |
| 31/12/2007 | 4 | INTERIM 3 | 3,192,370,844.23 | 173,635.35 |
| 31/12/2007 | 5 | FINAL | 5,000,000,000.00 | 88,741.01 |
| 31/12/2008 | 6 | INTERIM | 10,200,000,000.00 | 147,090.16 |
| 31/12/2008 | 7 | FINAL | 3,780,813,535.25 | 1,519,962.86 |
| 31/12/2009 | 8 | FINAL | 10,800,000,000.00 | 5,066,134.04 |
| 31/12/2010 | 9 | FINAL | 6,480,000,000.00 | 233,781.67 |
| 31/12/2011 | 10 | FINAL | 3,240,000,000.00 | 9,449,871.92 |
| 31/12/2012 | 11 | FINAL | 7,200,000,000.00 | 8,902,498.61 |
| 31/12/2013 | 12 | FINAL | 7,200,000,000.00 | 26,551,987.53 |
| 31/12/2014 | 13 | FINAL | 4,800,000,000.00 | 16,839,635.17 |
| 31/12/2015 | 14 | FINAL | 6,000,000,000.00 | 31,117,919.44 |
| 31/12/2016 | 15 | FINAL | 7,200,000,000.00 | 137,152,701.67 |
| 31/12/2017 | 16 | INTERIM | 6,000,000,000.00 | 18,298,321.55 |
| 31/12/2017 | 17 | FINAL | 15,000,000,000.00 | 519,364,094.31 |
| 31/12/2018 | 18 | FINAL | 13,200,000,000.00 | 543,300,151.75 |

All affected shareholders are requested to update their details and fill the mandate for e-dividend payment in the annual report or please contact: -

THE REGISTRAR
VERITAS Registrars Limited
PLOT 89A, AJOSE ADEOGUN STREET
VICTORIA ISLAND
LAGOS.



Shareholders at the 2018 Annual General Meeting

**Affix
Current
Passport**

(To be Stamped by Bankers)

Please write your name at the back of your passport photograph

e-DIVIDEND MANDATE FORM

Date: / /

INSTRUCTION

Please complete all sections of this form to make it eligible for processing and return to the address below:

Please note that **Only Clearing Banks** are acceptable

The Registrar

Veritas Registrars Limited
89, Ajose Adeogun Street
Victoria Island
Lagos.

I/We hereby request that henceforth, all my/our dividend payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my/our bank detailed below:

| Tick | Name of Company | Shareholder's Account No. |
|------|----------------------------|---------------------------|
| | Dangote Sugar Refinery Plc | |
| | Arдова Plc | |
| | Guinness Nigeria Plc | |
| | May & Baker Nigeria Plc | |
| | Zenith Bank Plc | |
| | Osun State Bond – S1 | |
| | Osun State Bond – S2 | |
| | Arдова Plc Bond | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

BVN

Bank

Bank Account No.

Account Opening Date

SHAREHOLDER ACCOUNT INFORMATION

Surname/Company Name **First Name** **Other Names**

Address:

City **State** **Country**

Previous Address (if any)

CHN(if any)

Mobile Telephone 1

Mobile Telephone 2

E-mail Address

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation No. (Corporate Shareholder)

**The Registrars
VERITAS Registrars Limited
Plot 89A Ajose Adeogun Street,
P. O Box 75315
Victoria Island
Lagos**

Proxy Form

DANGOTE SUGAR REFINERY PLC. RC: 613748

FOURTEENTH (14TH) ANNUAL GENERAL MEETING TO BE HELD AT THE EKO HOTEL & SUITES, VICTORIA ISLAND, LAGOS, ON THE 9TH DAY OF JULY 2020, AT 11A.M PROMPT.

I/WE*.....ofbeing Shareholder(s) of Dangote Sugar Refinery Plc. hereby appoint (please see Note (ii) below for the list of nominated proxies) or failing him/her/..... or as my/our Proxy to act and vote for me/us on my/our behalf at the 14th Annual General Meeting to be held on the 9th day of July, 2020 and at any adjournment thereof.

DATED THIS DAY OF 2019

SHAREHOLDER'S SIGNATURE

| | NO. | ORDINARY BUSINESS | FOR | AGAINST |
|--|-----|--|-----|---------|
| I/We desire this proxy to be used in favour of/ or against the resolution as indicated alongside | 1. | To receive the Financial Statements for the year ended December 31, 2019, the Reports of the Directors, Auditors and the Audit Committee thereon; | | |
| | 2. | To declare a dividend | | |
| | 3. | To re-elect the following retiring Directors <ul style="list-style-type: none"> • Prof. Konyinsola Ajayi • Mr. Olakunle Alake • Ms. Maryam Bashir To appoint Mr. Ravindra Singhvi as Director | | |
| | 4. | To authorize the Directors to fix the remuneration of the Auditors. | | |
| | 5. | To elect members of the Audit Committee | | |
| Please indicate with an "X" in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her/its discretion. | | | | |

This Proxy Form should **NOT** be completed and sent to the Registrar's office if the member will be attending the meeting.

NOTE

- i. In view of the health and safety measures in place by the Government and the Health Authorities including restricting the number of persons at a gathering, this Proxy Form has been prepared to enable shareholders entitled to attend and vote at the Annual General Meeting exercise their right to vote despite not being physically present at the meeting.
- ii. Members may appoint a Proxy of their choice from the following persons: (a) Alhaji Aliko Dangote (GCON), (b) Mr. Olakunle Alake, (c) Ms. Bennedikter Molokwu, (d) Sir Sunny Nwosu, (e) Mr. Normah Awoh, (f) Mrs. Bisi Bakare, and (g) Dr. Farouk Umar.
- iii. Please sign this Proxy Form and deposit it at the office of the Company's Registrars Veritas Registrars Limited, Plot 89A, Ajose Adeogun street, Victoria Island, Lagos or sent to the Registrars by email to veritasregistrars@veritasregistrars.com not later than 48 hours before the time appointed for the Meeting.
- iv. If the Shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some officers or an Attorney duly authorized.
- v. The Proxy must produce the Admission Card sent with the Notice of the meeting to gain entrance to the meeting.
- vi. In line with the Corporate Affairs Commission Guidelines, the Company has made arrangements at its cost, for the stamping of the duly completed and signed proxy forms submitted to the Company's Registrars within the stipulated time.

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

ADMISSION CARD
I, Mr./Mrs./Miss



*Please complete in BLOCK LETTERS

| |
|---------------------|
| Account no.: |
| Shareholder's Name: |
| No. of Shares: |

Please admit..... to the 14th Annual General Meeting of Dangote Sugar Refinery Plc, to be held at the Eko Hotel & Suites, Victoria Island, Lagos, on the 9th day of July, 2020 at 11:00am.

Signature of person attending:

The Shareholder or his /her/its proxy is required to produce this admission card in order to obtain entrance to the Annual General Meeting.

Please be advised that to enable a Proxy gain entrance to the meeting, the Proxy Form should be duly completed and delivered to the office of the Registrars, VERITAS REGISTRARS not later than 48 hours before the time fixed for the meeting.

**The Registrars
VERITAS Registrars Limited
Plot 89A Ajose Adeogun Street,
P. O Box 75315
Victoria Island
Lagos**



HEAD OFFICE:

3rd Floor, GDNI Administrative Building, Terminal E Shed 20 NPA Wharf Complex, Apapa, Lagos

Tel: + 234 7064768860; 7039588474

Email: Srefinery@dangote.com, dangotesugar@dangotesugar.com.ng

Website: www.dangotesugar.com.ng

FACTORY/REFINERY:

Shed 20, Apapa Wharf, Lagos