

# Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2015.

## PROFIT FOR THE YEAR

	2015	2014
	₦'000	₦'000
Group profit for the year	5,181,667	10,938,143

## Dividend

The directors have recommended the payment of 100 kobo dividend per ordinary share held.

## Activities

UAC of Nigeria Plc is a diversified business with activities in the following principal sectors: Food & Beverages, Real Estate, Paints and Logistics.

## CORPORATE GOVERNANCE REPORT

UAC of Nigeria Plc is a Company of integrity and high ethical standards. Our reputation for honest, open and dependable business conduct, built over the years, is an asset just as our people and brands. We conduct our business in full compliance with the laws and regulations of Nigeria and our Code of Business Conduct.

## The Board of Directors

Under the Articles of Association of the Company, the business of the Company shall be controlled and managed by the Directors, who may exercise all such powers of the Company as are not by statute or the Articles to be exercised by the Company in the general

meeting. The operations of the Board of Directors of UAC of Nigeria Plc are governed by a charter.

## Composition of the Board of Directors

The Board is made up of five Non-Executive and three Executive directors. All the directors have access to the advice and services of the Company Secretary. With the approval of the Chairman of the Board, they may take advice from third party professionals in areas where such advice will improve the quality of their contributions to Board deliberations.

## Separation of the positions of Chairman and Managing Director

The position of the Chairman is distinct from that of the Group Managing Director/CEO. During the year, Senator Udoma Udo Udoma, CON was the Non-executive Chairman of the Board for most of the year and was succeeded by Mr Dan Agbor while the Group Managing Director/Chief Executive Officer is Mr Larry Ettah. The Executive Directors are Mr Abdul Bello, the Chief Financial Officer and Mr Joseph Dada, the Executive Director, Corporate Services. Other Non-Executive Directors that served during the year are Mrs Awuneba Ajumogobia (the Independent Director), Dr Okechukwu Enelamah, Dr Umaru Alka, Mr Babatunde Kasali and Dr. Okechukwu Mbonu.

## The Roles and Responsibilities of the Board

The following matters are reserved for the Board of Directors of the Company:

- a) Formulation of policies, strategy and overseeing the

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management and conduct of the business.

- b) Formulation and management of risk management framework.
- c) Succession planning and the appointment, training, remuneration and replacement of Board members and senior management.
- d) Overseeing the effectiveness and adequacy of internal control systems.
- e) Overseeing the maintenance of the Company's communication and information dissemination policy.
- f) Performance appraisal and compensation of board members and senior executives.
- g) Ensuring effective communication with shareholders, other stakeholders, and the investing public.
- h) Ensuring the integrity of financial controls and reports.
- i) Ensuring that ethical standards are maintained.
- j) Ensuring compliance with the Company's Memorandum and Articles of Association, applicable laws, regulations, standards and Code of Corporate Governance by the Company and its Business Units.
- k) Definition of the scope of delegated authority to Board Committees and management and their accountabilities.
- l) Definition of the scope of corporate social responsibility through the approval of relevant policies.
- m) Approval and enforcement of a Code of ethics and business practices for the Company, the employees and Directors.

### Board Appointment

The process of appointing Directors involves a declaration of a vacancy at a Board Meeting; sourcing of the curriculum vitae of suitable candidates depending on the required skills, competence and experience at any particular time; and the reference of the curriculum vitae to the Governance and Remuneration Committee for necessary background checks, informal interviews/ interaction and a recommendation for approval to the Board of Directors. A Director appointed by the Board is presented to the next Annual General Meeting of the members of the Company for election in line with statutory requirement.

### Directors' Induction and Training

Every newly appointed Director receives a letter of appointment detailing the terms of reference of the Board and its Committees, the Board structure, board plan for current year, his remuneration and demand on his time as a result of the appointment. The letter of appointment is accompanied with the Memorandum and Articles of Association of the Company, the latest Annual Report & Accounts, the Code of Corporate Governance For Public Companies In Nigeria, UACN Code of Business Conduct and other documents, policies, processes and procedures that will help the Director to gain an understanding of the Company, its history, culture, core values, governance framework, business principles, people, operations, brands, projects, processes and plans. A new Director undergoes an induction/ orientation process whereby he is introduced to the members of the Board of Directors and leadership

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teams of Corporate Centre and Subsidiary Companies. Operational visits are also arranged for the new Director to meet the leadership teams and get acquainted with business operations. Directors attended UAC Group Board Retreat focused on Board Effectiveness, Strategy and recent developments in corporate governance facilitated by faculty from the International Institute for Management Development (IIMD), based in Switzerland.

### Board Meetings

The Board met seven (7) times during the 2015 financial year. The following table shows the attendance of Directors at the Board meetings:

#### DIRECTOR

25/3	29/4	19/8	23/9	26/10	11/11	25/11
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#### Senator U U Udoma

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	NLAM

#### Mr L E Ettah

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Mrs A S Ajumogobia

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Dr U Alka

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Mr A A Bello

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Mr J I Dada

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Dr O E Enelamah

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	AWA	P	P	P	NLAM

#### Mr B O Kasali

25/3	29/4	19/8	23/9	26/10	11/11	25/11
P	P	P	P	P	P	P

#### Mr D O Agbor

25/3	29/4	19/8	23/9	26/10	11/11	25/11
NYAM	NYAM	NYAM	NYAM	NYAM	NYAM	P

#### Dr O J Mbonu

25/3	29/4	19/8	23/9	26/10	11/11	25/11
NYAM	NYAM	NYAM	NYAM	NYAM	NYAM	P

Keys:

P: Present

AWA: Absent With Apology

NLAM: No Longer A member

NYAM: Not Yet A Member

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## Board Evaluation

A Board evaluation was undertaken in 2015. The performance of the Board, Board Committees and individual Directors were adjudged satisfactory; and necessary feedback was given to individual Directors arising from the exercise.

## Composition of Board Committees

The Board functions through two Board Committees namely, Risk Management Committee and Governance & Remuneration Committee. Board Committees make recommendations for approval by the full Board.

### 1) The Risk Management Committee

The Committee is chaired by Mrs Awuneba Ajumogobia, a Non-Executive Director and is made up of another non-executive director and the three Executive Directors.

The Terms of Reference of Risk Management Committee

#### Risk Management

- i. Understand the principal risks to achieving the company and group's strategy.
- ii. Oversee the establishment of a management framework that defines the company's risk policy, risk appetite and risk limits.
- iii. Ensure that business profile and plans are consistent with the Company and group risk appetite.
- iv. Assist the Board in overseeing risk management and monitoring the Group's performance with regards to risk management.

- v. Review the process for identifying and analysing business level risk.
- vi. Agree and implement risk measurement and reporting standards as well as methodologies.
- vii. Periodically review key controls, processes and practice, including limit structure.
- viii. Monitor, review and challenge all aspects of the Company's and group's risk profile key risk indicators and risk management practice.
- ix. Periodically evaluate the Company's risk profile, action plans to manage high risks and progress on the implementation of these plans;
- x. Monitor risk management policies to ensure they are integrated into the Company's culture;
- xi. Review quarterly risk management reports and make recommendation to the Board on appropriate actions.
- xii. Ensure that UACN's risk exposures are within the approved risk control limits.
- xiii. Assess new risk-return opportunities.
- xiv. Undertake at least annually a thorough risk assessment covering all aspects of the Company's business and use the result of the risk assessment to update the risk management framework of the Company.
- xv. Review the structure for, and implementation of, risk measurement and reporting standards as well as methodologies.
- xvi. Ensure disclosure of the Company and group risk management policies and practices in the annual report.

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## 5.5.2 Audit

- i. Review updates on implementation level of internal and external auditors' recommendations by management from Board representatives on the Audit Committee.
- ii. Recommend for Board approval, the appointment of an internal audit service provider.
- iii. Periodically evaluate the performance of internal audit service provider and make recommendation to the Board.
- iv. Periodically review the manning level and the adequacy of the resources with which the internal audit and the risk management functions discharge their duties.

## 1.5.3 Whistle blowing

- i. Oversee the establishment of whistle blowing procedures for the receipt, retention, and treatment of complaints received by the Group regarding accounting, internal controls and/or auditing matters, unethical activity/breach of the corporate governance code and the confidential/ anonymous treatment of submission by stakeholders (employees, customers, suppliers, applicants, etc.) of the Group with respect to such complaints.

## 1.5.4 Others

- i. Oversee the company's financial reporting, its policies and processes.
- ii. Review the group's operational performance.
- iii. Make recommendations to the Board on capital expenditure, specific projects and their financing

within the overall approved plan.

- iv. Make recommendations on management of Company's cash and debt exposure/ borrowings.
- v. Monitor compliance with applicable laws and regulations by the Company and its subsidiaries.

## Committee Meetings

The Risk Management Committee met three (3) times during the year. The following table shows the attendance of the members of the Committee at the meetings:

DIRECTOR	15/4	15/7	14/10
Mrs A S Ajumogobia	p	p	p
Mr B O Kasali	p	p	p
Mr L E Ettah	p	p	p
Mr A A Bello	p	p	p
Mr J I Dada	p	p	p

Key: P: Present

## 2) The Governance and Remuneration Committee

The Committee was chaired for most of the year by Senator Udoma Udo Udoma CON, a Non-Executive Director and made up of two other non-executive directors. The GMD/CEO attends the meetings of the Committee to present reports and shed light on management's people management and remuneration proposals.

## Terms of Reference of Governance and Remuneration Committee

The following are the terms of reference of the Committee:

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- a) To periodically evaluate the skills, knowledge and experience required on the Board and make recommendations on the composition of the Board
- b) To define the criteria and the procedure for the appointment of Directors to the Board and the Board Committees
- c) To prepare a job specification for the Chairman's position, including an assessment of time commitment required of the candidate
- d) To nominate new Directors for appointment to the Boards of the Company, and subsidiary and associated companies.
- e) To recommend the appointment, remuneration and promotion of Executive Directors and Senior Management
- f) To perform annual evaluation of the Board, Board committees and Boards of subsidiary companies as appropriate.
- g) To set the performance targets/criteria and evaluate the performance of the Group Managing Director/CEO and make recommendations to the Board on his performance
- h) To review from time to time succession planning proposals and implementation
- i) To document and review the Board Charter and composition, roles, responsibilities, authorities, reporting framework of Board Committees and the Boards of subsidiary companies
- j) To make recommendations to the Board on the adoption of a Code of Conduct (including policy on trading in Company's shares) for Directors and Senior Executives and to review the same from time to time
- k) To make recommendations to the Board on the whistle blowing process for the Company that encourages stakeholders to report any unethical activity/breach of Corporate Governance
- l) To oversee continuing education of Board members and the induction of new directors.
- m) To make input into the annual report of the Company in respect of director compensation.
- n) To review and make recommendations to the Board for approval on the Company's organisational structure and any proposed amendments.
- o) To review and make recommendations to the Board on the group-wide staff appraisal, salary and compensation.

### Committee Meetings

The Committee met twice (2) times in 2015. The following table shows the attendance of Committee members at the meeting:

DIRECTOR	25/3	26/10
Senator U U Udoma	P	P
Dr U Alka	P	P
Dr O E Enelamah	P	P

Key: P: Present

### MANAGEMENT

At the Management level, a Business Review Committee presided over by the Group Managing Director/CEO, comprising the Executive Directors, Managing Directors of subsidiary Companies and Heads of Corporate Centre units meet every month to review business

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performance, and operational and strategic issues of businesses within the group.

The members of leadership teams of the Corporate Centre and Business Units also attend an annual business retreat to review the performance of the businesses within the group; discuss the approved budget for the current year and agree execution modalities. The Chairman of the Board also attends the Annual group Business Retreat to give management feedback from the Board on corporate strategy, business direction, performance and expectations.

The list of members of Group Senior Management team is on page 23 of this Annual Report.

### Code of Business Conduct

The Company reviewed and refreshed its Code of Business Conduct for employees and other stakeholders during the year. The Board of Directors is responsible for ensuring that the Code is communicated to, understood and observed by, all employees.

### THE STATUTORY AUDIT COMMITTEE

The Statutory Audit Committee consists of six members made up of three representatives of shareholders elected at the previous Annual General Meeting for a tenure of one year and three representatives of the Board of Directors appointed by the Board. The Chairman of the Committee is Mr Olabisi Fayombo, a Chartered Accountant and a shareholders' representative. The Company Secretary is the Secretary to the Committee. The meetings of the

Committee were attended by representatives of KPMG Professional Services, our Internal Audit Service Provider, PricewaterhouseCoopers, our Independent/External Auditors and Head:as well as the Risk & Compliance Unit of the Company. The Committee operates within the provisions of the Companies and Allied Matters Act Cap C20 Laws of the Federation, 2004, the 2011 Code of Corporate Governance for Public Companies in Nigeria, the Audit Committee Charter and Internal Audit Charter and best practice. The following table shows members' attendance at the five meetings of the Committee in 2015:

NAME	14/1	23/3	11/6	27/7	29/10
Mr O Fayombo	P	P	P	P	P
Mr M Akinlade	P	P	P	P	P
Mrs A S Ajumogobia	P	P	P	P	P
Mr N K Nnabike	P	P	P	P	P
Mr B O Kasali	P	P	P	P	P
Mr A A Bello	P	P	P	P	NLAM
Dr U Alka		NYAM	NYAM	NYAM	NYAM P

Keys:

P: Present

NLAM: No Longer A Member

NYAM: Not Yet A Member

### The Terms of Reference of the Committee

The following are the terms of reference of the Committee:

The Committee is authorized by the Companies and Allied Matters Act, 1990 ('CAMA') to:

a) Ascertain whether the accounting and reporting



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- policies of the Company are in accordance with legal requirements and agreed ethical practices;
- b) Review the scope and planning of audit requirements;
  - c) Review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
  - d) Keep under review the effectiveness of the company's system of accounting and internal control;
  - e) Make recommendation to the Board with regard to the appointment, removal and remuneration of the External Auditors of the Company;
  - f) Authorize the Internal Auditor to carry out investigations into any activities of the Company, which may be of interest or concern to the Committee.
  - g) Receive quarterly/periodic reports from the Internal audit unit.

In addition, the 2011 Code of Corporate Governance also assigns specific responsibilities to the Committee.

### Control environment

A group-wide Risk & Compliance Unit is in at Corporate Centre and in all the subsidiary Companies to foster a stronger control environment. The outsourced Internal Audit and Whistle Blowing services to KPMG Professional Services are working effectively and adding great value to the business.

In line with the requirements of the Code of Corporate

Governance in Nigeria, Messrs PricewaterhouseCoopers retired as the Company's External Auditors in the course of the year and were replaced by Ernst & Young. In line with best practice, our Executive Director/Chief Financial Officer who also ceased to be a member of the Audit Committee during the year was replaced by a Non-Executive Director.

### Trading in Securities Policy

In compliance with the Rules of the Nigerian Stock Exchange, we have put in place a Securities Trading Policy to guide employees and Directors of the Company, persons closely connected to them, and all insiders of the Company on trading in the securities of the company. Under the policy, the closed period shall be effective from 15 days prior to the date of any meeting of the Board of Directors proposed to be held to consider any price sensitive matter, or the date of circulation of agenda papers pertaining to any of the said matters whichever is earlier, up to 24 hours after the price sensitive information is submitted to the NSE. The trading window shall thereafter be opened:

We hereby confirm that no Director traded in the securities of the company within the closed period.

### Shareholders Complaints Management Policy

We have put in place a Complaints Management policy to handle and resolve complaints from our Shareholders and investors. The policy was defined and endorsed by the company's senior management, who are also responsible for its implementation and for



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monitoring compliance. The policy has been posted on the Company's website and shall be made available to shareholders of the company at the Annual General Meeting.

### **General mandate on related party transactions.**

The details of the aggregate value of related party transactions conducted pursuant to the general mandate during the financial year are on page 145 of this annual report.

### **Compliance with the Code of Corporate Governance**

The Company has complied with the 2011 Code of Corporate Governance for public Companies.

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### Directors' Interest in Ordinary Shares

DIRECTORS	December	December
	2015	2014
	Ordinary shares	
Mr D O Agbor	-	-
Senator U U Udoma, CON		
Direct:	1,257,078	1,257,078
Indirect:	23,306,030	23,306,030
Mr. L E Effah	2,400,000	2,400,000
Mr. A A Bello	124,388	124,388
Mr. J I Dada	103,124	103,124
Mrs A Ajumogobia	925	925
Dr O E Enelamah	108,672	108,672
Dr Umaru Alka	-	-
Mr. Babatunde Kasali	10,000	10,000
Dr O J Mbonu	-	-

### Directors' Interest in Contracts

Some of the Directors gave notices for the purposes of Section 277 of the Companies and Matters Act, 1990, to the effect that they are Directors/partners of some specified entities which could be regarded as interested in some contracts with the group during the year under review. Senator Udoma Udo Udoma was a Senior Partner in the law firm of Udo Udoma & Belo-Osagie which rendered legal services to Companies within the group from time to time. Mr Daniel Agbor is also a Partner in the same law firm. Dr Okechukwu Enelamah was the Managing Partner of African Capital Alliance which has a JV relationship with UACN Property Development Company in two projects. Mr Abdul Bello is a Non-Executive Director of Skye Bank PLC, which has

a banking relationship with some Companies within the group. Mr Effah is a Non-Executive Director of Coronation Merchant Bank Limited which has a banking relationship with some Companies within the group.

### Charitable Gifts and Donations

	N
Corporate Social Responsibility	12,182,888
Product sponsorships	11,711,950
Other donations	9,440,500
<b>TOTAL</b>	<b>33,335,338</b>

### COMMENTARIES ON SUBSIDIARY COMPANIES



#### Grand Cereals Limited

2015 was a difficult year for Grand Cereals. Security challenges, political uncertainty, fresh outbreak of bird flu, scarcity of day-old chicks, low purchasing power and increase in cost of raw materials resulted in decline in key performance indicators.

The Company introduced Aqua Boom and Vital Fish Feed Gold to play in the value and premium segments of the fish feed market respectively. Farmers Feed, a new variant of poultry feed, was also launched to exploit the opportunities in the low-end of the poultry feed market.

#### LIVESTOCK FEEDS PLC



#### Livestock Feeds PLC

The performance of the company was negatively

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impacted by a challenging operating environment characterized by the security issues in the North-East, scarcity and high cost of raw materials, outbreak of bird flu, incidence of egg-glut, intense competition, among others.

The Business leveraged on synergies within the UAC group to improve operational efficiency. Toll manufacturing made for growth in Northern operations. The newly introduced Aquamax fish feed received favourable market acceptance and is projected to make significant contribution to the business in subsequent years.



### **UAC Foods Limited**

UAC Foods business performance was impacted by a challenging operating environment. Rising input costs and intense competition across all categories caused margin erosion. The Business executed strategies towards improving market share through aggressive retail trade penetration with a positive outlook in the coming year.



### **UAC Restaurants Limited**

2015 was a difficult trading year with UAC Restaurants trading below 2014 and posting a loss. The business is building capability and scale, focusing on manufacturing,

supply chain and operational excellence.

Looking ahead, the Company will leverage on growth opportunities to improve performance.



### **Chemical & Allied Products PLC**

CAP Plc recorded a growth of 1% in turnover over 2014, and 5% growth in operating profit despite the challenges in the economy.

The business expanded its distribution network by opening two Dulux Colour Centres and eight Dulux Colour Shops. The successful modernization of the solvent line production from batch system to in-can tinting solution was a remarkable achievement.



### **Portland Paints & Products Nigeria PLC**

Portland Paints faced a difficult year in 2015, resulting from the downturn in the construction, property and oil & gas sectors. Limited activities on private and public sector building projects affected the sales volume in the year.

The company is repositioning the business for sustainable future growth. The new franchising model adopted by the business is gradually gaining traction with the deployment of Point of Sale Tinting System in the outlets to meet customers' expectations.

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### **UACN Property Development Company PLC**

UPDC's 2015 performance reflected the challenges in the Nigerian economy during the year. The property market was quite soft particularly in markets outside Lagos. Despite the challenging environment, UPDC completed its first retail mall - Festival Mall and trading commenced at the mall in August 2015.

The company impaired her investment in UPDC Hotels Limited to the tune of N2.08b during the year and fully repaid the 2010/15 Bond.



### **MDS Logistics Limited**

MDS Logistics Limited recorded a decline in turnover and profit respectively, partly due to prevalent political uncertainties and macroeconomic headwinds in the year which adversely impacted clients businesses.

The company was however able to expand its service offering with the provision of both stationary and mobile cold chain services and the purchase of 14 new vehicles for the Haulage category, while maintaining its position as the leading provider of outbound supply chain services in the country



### **Warm Spring Waters Nigeria Limited**

Warm Spring Waters Nigeria Limited recorded an improved performance over the previous year. This was achieved through operational efficiencies, resulting from local sourcing of packaging materials and engineering spares as well as out-sourced bottle manufacturing among others.



### **UNICO CPFA Limited**

The Company was able to meet its 2015 targets by maximizing returns on fixed income instruments while controlling administrative expenses. The sharp drop in equity prices and interest on fixed income instruments from the second half of the year had negative impact on all the funds under management. Targeted unit price increase for the active members' fund was not achieved while the pensioners fund was able to recover inflation cost.