

# Agusto & Co.

RESEARCH, CREDIT RATINGS, CREDIT RISK MANAGEMENT

## 2014 CORPORATE RATING REPORT

### COMPUTER WAREHOUSE GROUP PLC

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#### COMPUTER WAREHOUSE GROUP PLC

**Rating Assigned:**            **Bbb-**  
**Issue Date:**                **February 2014**  
**Expiry Date:**               **September 2014**

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*Corporate Ratings*

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### RATIONALE

Agusto & Co. assigns a '**Bbb-**' rating to Computer Warehouse Group Plc ("CWG" or "the Company"). The rating reflects our opinion of the Company's satisfactory financial condition and adequate capacity to meet obligations.

The Company's rating is supported by low leverage, good cash flow, adequate working capital and a stable and experienced management team. However, CWG's rating is tempered by weak profitability and staff contribution to net earnings requires improvement.

The Company specializes in the supply, installation, integration, maintenance and support of computer equipment, e-payment hardware, software and ancillary equipment.

During the nine month ended 30 September 2013 (Q3'2013), CWG's revenue grew marginally by 3% but the cost to income ratio was high at 82%. Therefore, Return on Equity (ROE) at 13% is slightly above the treasury bill rates (12%), while its Return on Assets (ROA) of 4% is below our expectation.

In Q3'2013, the Company's good cash generating capacity was supported by advance receipt for the provision of networking services. Consequently, operating cash flow to sales ratio at 19% is good. The Company enjoys 30 days to 180 days trade credit from local and international suppliers while it receives advance payments from some customers.

As at 30 September 2013, interest bearing debt reduced by 43% from year end 2012 on account of a conversion of a loan stock of ₦1.48 billion held by Aureos Africa Fund LLC into 524,826 ordinary shares. We believe that the Company's good cash flow supports its interest cover payments as evidenced by a coverage ratio of 16 times.

In the short term, the Company plans to expand offerings of cloud services, payment solutions (ATM, POS and Mobile), e-inventory, e-stocking and data services for Micro-finance Banks (MFBs) and Micro, Small and Medium Enterprises (MSME). These initiatives, if successful would contribute to revenue growth and increase CWG's market share in the Information and Communication Technology (ICT) space.

### STRENGTHS, CHALLENGES & WEAKNESS

In our opinion, CWG has the following strengths:

1. Diverse service offering
2. Stable and experienced management team
3. Strong partnerships and affiliations
4. Adequate working capital
5. Low leverage

The Company also faces the following challenges:

1. Maintaining margin in the face of competition
2. Providing adequate security and control measures to gain users' confidence of new technology

CWG main weakness is its weak profitability.

**INFORMATION AND COMMUNICATION TECHNOLOGY INDUSTRY**

The Information and Communication Technology Industry ("ICT" or "the Industry") is responsible for the provision of communication applications or devices which encompass radio, satellite systems, wireless networks, cellular phones, computer hardware, software and other communication mediums that provide access to information.

According to the Nigerian Communications Commission (NCC), there are 4 Digital Mobile Licensed companies (GSM), 16 Unified Access Service firms, 79 Value Added Service operators, 157 duly registered Internet Service providers and 712 cyber cafes as at 31 December 2013. In addition, there are over 30 registered software development companies with the Institute of Software Practitioners on Nigeria (ISPON).

The Industry is categorized into four broad business segments namely; mobile network operators, value added services, hardware and software development.

As at the end of 2012, the Federal Ministry of Communication Technology (FMCT) recorded total investment of US\$18 billion in the ICT sector with mobile services accounting for 87%, hardware (8%), value added services (3%) and software (2%). On the back of this, the Industry contributed 5.6% to Gross Domestic Product (GDP) in 2013.

In March 2013, the International Telecommunications Union estimates that there are over 140 million internet users in Africa with Nigeria accounting for about 52 million users which represents 33% internet and 6% broadband penetration. Although the internet penetration level is low, data from NCC reveals an increase of 600,000 new active telephone lines to 121.8 million as at the end of October 2013.

Despite these positive developments, the Networked Readiness Index (NRI) of World Economic Forum for 2013 ranked Nigeria 114 out of 144 countries with an aggregate NRI score of 3.27 out of 7. This score shows that the quality of ICT infrastructure as well as the existing utilization trends of ICT in Nigeria is poor and requires improvement.

Due to huge capital requirements, the equipment assembly, software development and network service provider segment

of the Industry is dominated by foreign companies, while the local players concentrate on value added services, sales, distribution, repairs and maintenance.

Prominent local players in the ICT industry include; Computer Warehouse Group Plc, Palette Business Solutions, Technology Distribution Limited (Zinox), Resourcery plc, Chams Nigeria Plc and MainOne Cable. Google, IBM Dimension Data, Business Connexion and Microsoft are some of the foreign ICT companies with local offices in Nigeria.

The trade policy in the industry varies across segments depending on bargaining power of the customer. In the software development segment, clients pay in advance for software purchases because of the huge cost of acquisition and also pay quarterly or annually for maintenance, whereas the mobile network operators and value added service providers charge clients on cash basis. In addition, the equipment assembly and sales providers offer between 30 days to 45 days credit terms for large device purchases.

The Nigerian Investment Promotion Council granted pioneer status to all firms involved in the manufacture and production of ICT equipment, hardware and software to enable the firms plough back their profits into the business. In our opinion, this tax incentive will continue to attract partnerships for the set up of ICT manufacturing plants in Nigeria.

We believe the ICT Industry is better poised to offer value added services at low cost following the recent investment of over 100,000 km of terrestrial fibre-optic cable and 4 under-sea fibre optic cable with combined capacity of 10 Terra Byte per second by Cable companies in Nigeria and the introduction of cloud services by Dimension Data and Computer Warehouse Group.

In our view, technological advancements, structured investments by government and enabling environment will further stir positive developments in the Industry in the medium term. Therefore, we have attached a positive outlook to the industry.

### COMPANY PROFILE

Computer Warehouse Group Plc is a leading Pan African information and communications technology service provider. The Company commenced operations in September 1992 as Computer Warehouse Limited (CWL), providing hardware and infrastructure services.

On 1 February 2005, the Company changed its name to Computer Warehouse Group Limited to provide coordinating functions and shared services for three different companies – CWL Systems Limited, DCC Networks Limited and ExpertEdge Software Limited.

The Company acquired 100% equity holdings in DCC Networks Limited, CWL Systems Limited, ANAS Limited and ExpertEdge Software Limited on 1 April 2011. On 6 March 2012, a merger arrangement via a court order enabled the transfer of assets and liabilities of the acquired companies to CWG effectively turning them into divisions within the Company.

The Company was listed by introduction on the Nigerian Stock Exchange on 15 November 2013 at a value of \$85 million and a market price of ₦5.48.

The Company specializes in the supply, installation, integration, maintenance and support of computer equipment, e-payment hardware and ancillary equipment.

The Company has three operating divisions:

**CWL Systems** commenced operations in September 1992 to undertake the supply, installation and support of computer hardware, infrastructure solutions, automated teller machines and provision of outsourcing services. CWL Systems is a partner with IBM (premier), Symantec (platinum), EMC (business), NETAPP (platinum), Hitachi (true-north platinum), DELL (preferred), Microsoft (silver) VMWARE (enterprise) and Wincor-Nixdorf certified.

**DCC Networks** began operations in August 1996 as providers of VSAT, Metropolitan, Wide Area Network (WAN), Metropolitan Area Network, Micro Wave Radio, Local Area Networks (structured cabling) and support

services. DCC Networks is a partner to Cisco Solutions (Gold) and Systimax Solutions (business).

**ExpertEdge Software** commenced operations in October 1993 to provide software solutions and training. ExpertEdge provides automated solutions for business using software tools sourced from original equipment manufacturers (OEMs). ExpertEdge is a certified partner to Oracle (platinum), Infosys (business alliance), Tripwire (gold) and Pearson Virtual Understanding Environment.

CWG has subsidiaries in Ghana (CWG Ghana Limited; 2003), Uganda (CWG Uganda Limited; 2010) and Cameroon (CWG Cameroon Limited; 2012).

CWG has a six-man Board of Directors comprising three non-executive directors and three executive directors. Chief Willie Belonwu is the Chairman, while Mr. Austin Okere is the Managing Director and Chief Executive Officer. The Company's average number of staff in 2013 was 626 (2012: 551).

The Company is ISO 9001:2008 certified across its subsidiaries and has over 334 certified professionals. Over 80% of CWG staff are Information Technology Infrastructure Library (ITIL) Certified.

CWG's head office is located at Block 54A, Plot 10, Rufus Giwa Street, Off Admiralty way, Lekki Phase 1, Lagos. The Company has regional offices in Abuja and Port-Harcourt with operational hubs in over eighteen states in Nigeria.

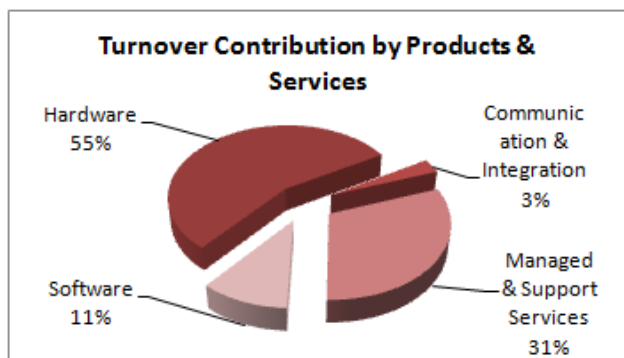
The Company enjoys an industry Pioneer Status and is thus exempt from Company Income Tax payment for five years from 2012. The Company's independent auditor is Ernst & Young.

As at 30 September 2013, CWG's total assets amounted to ₦17.4 billion while the shareholders' funds stood at ₦5.2 billion. During the nine months ended 30 September 2013, the Company generated turnover of ₦14.1 billion and recorded profit before tax of ₦511 million.

## PROFITABILITY

The Company generates revenue from the supply, installation, integration, maintenance and support of computer equipment, software and other ancillary equipment. CWG's clients include companies in the following industries — banking, telecommunication, oil and gas and manufacturing.

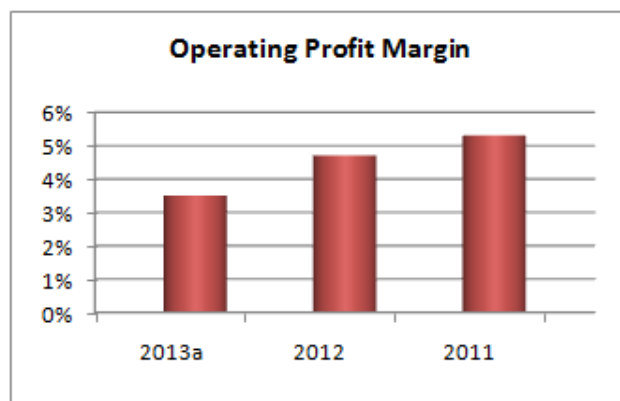
During the nine month ended 30 September 2013, revenue stood at ₦14.1 billion, showing a 3% nominal sales growth when annualized but a 5% decline in real terms (after adjusting for inflation) from the prior year.



The CWL division, which is responsible for installation and support of computer hardware and infrastructure solutions contributed the largest portion to CWG's revenue (55%) during the nine month ended 30 September 2013.

The Company's cost of sale as a percentage of turnover increased to 82% (2012: 80%) due to the increase in prices of imported ICT infrastructure. As a result, the Company's gross profit margin reduced to 18% from 20% recorded in the previous year.

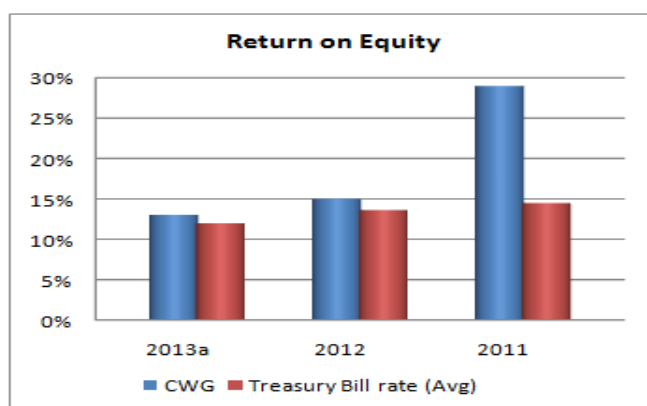
However, the ratio of the Company's operating expenses to turnover remained stable at 15%, despite increase in staff cost and administrative expenses. CWG recorded an operating profit margin of 4%, which is below our expectation.



The Company recorded other income of ₦0.2 billion mainly from interest earned on bank placements and rebates.

CWG's profit before tax to turnover ratio of 4% (2012: 3%) is well below our expectation of 12%.

In the period under review, the Company's annualized Return on Assets (ROA) of 4% is below our expectation. Although, CWG recorded an annualized Return on Equity (ROE) of 13%, which is slightly above prevailing Treasury Bill Rates (12%), this falls short of our expectation.



In our opinion, CWG's profitability is weak and requires improvement.

## CASH FLOW

The Company enjoys 30 days to 180 days credit from local and international suppliers for its software services and purchases. Although, CWG receives advance payments for software services rendered to its customers, the hardware and infrastructure business segment which contributes 55% of revenue offer credit sales of 30 days to 45 days to some of its notable clients.

In the nine months ended 30 September 2013, CWG's Operating Cash Flow (OCF) amounted to ₦2.6 billion, representing 133% annualized growth from 2012. OCF was supported by increase in advance payment and other creditors and accruals.

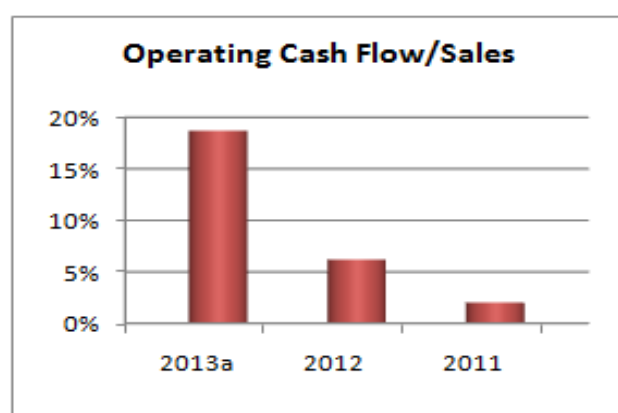
The Company's OCF represents 19% of sales, which is in line with our expectation.

In Q3'2013, OCF was sufficient to cover ₦0.2 billion interest payment while no dividend payment was made in same period. Furthermore, the net OCF of ₦2.4 billion is adequate to cover ₦0.8 billion estimated mandatory capi-

tal expenditure and ₦0.3 billion estimated amortized loan principal.

In our opinion, the Company has good cash generating capacity as payment for maintenance agreements and software services are paid in advance.

In our view, CWG's cash flow is good.



## FINANCING STRUCTURE & ADEQUACY OF WORKING CAPITAL

As at 30 September 2013, CWG's working assets stood at ₦11.4 billion, representing a 32% growth on prior year figures. The working assets consist mainly of other debtors & prepayments (47%), trade debtors (36%) and stocks (16%). Prominent companies in the banking and telecommunication sectors account for a large portion of CWG's trade and other debtors.

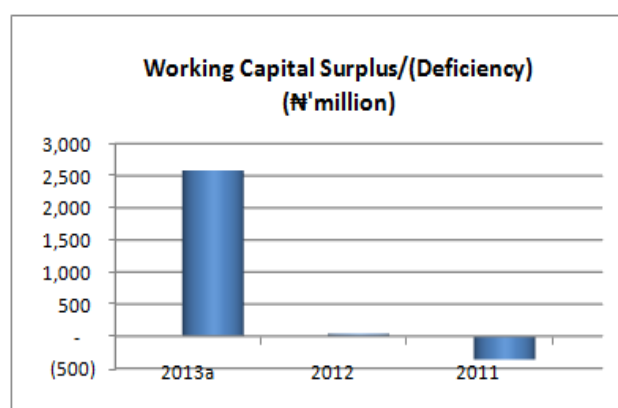
As at same date, CWG had ₦10.3 billion spontaneous financing largely made up of other creditors & accruals (52%), advance payment from customers (30%) and trade creditors (12%). The Company's spontaneous financing was inadequate to fund working assets, leaving a short term working capital need of ₦1.1 billion.

As at 30 September 2013, the Company's long term funding amounted to ₦5.6 billion and was provided by equity (94%) and long term borrowing (6%). CWG's long term

funding was adequate to cover ₦1.9 billion of long term assets, leaving ₦3.7 billion working capital.

The Company's working capital was sufficient to cover the short term working capital need, leaving a working capital surplus of ₦2.6 billion.

In our opinion, CWG's working capital is adequate.





### LEVERAGE

As at 30 September 2013, CWG's total liabilities stood at ₦12.1 billion, representing 38% increase from prior year. The increase is attributable to advanced payments made by banks, telecommunication service providers and oil and gas firms for outsourced and managed services.

Interest bearing debt (IBD) accounted for 16% of total liabilities, while non-interest bearing debt (NIBD) accounted for the balance of 84%. In the period under review, a zero coupon convertible loan stock of ₦1.48 billion held by Aureos Africa Fund LLC was converted into 524,826 ordinary shares, thus reducing the level of IBD.

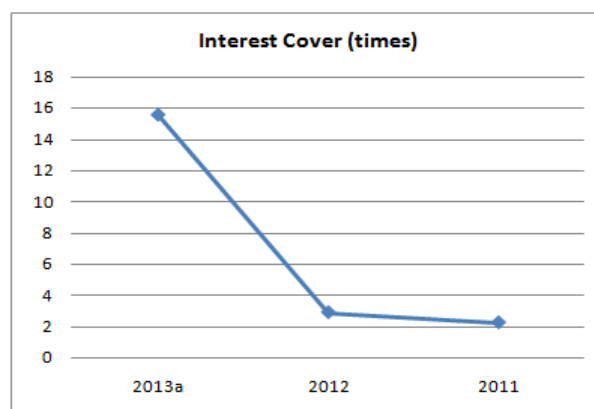
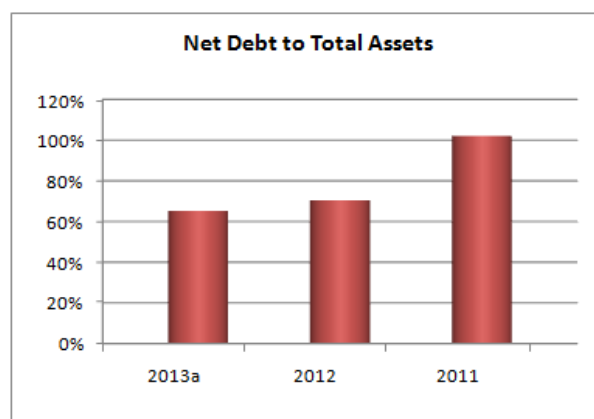
The Company's cash balance of ₦4.1 billion sufficiently covers IBD 2.2 times, thus recording a negative IBD (net of cash) ratio of 43% when compared with equity, which is better than our benchmark.

CWG's net debt to total assets ratio at 65% is within our expectation.

The Company's interest expense as a percentage of turn-over of 1% is in line with our expectation. This reflects the Company's business model where over two-thirds of services are paid for in advance. As at 30 September 2013, a Cisco Systems Finance International term loan with outstanding balance of ₦77.3 million is the only direct interest bearing liability secured with the tangible assets of CWG. Other short term loans are self liquidating while the long term loan of ₦272.5 million is secured by a Bank payment guarantee and performance bond.

In our view, CWG's interest cover of 16 times exceeds our benchmark.

In our opinion, the Company's leverage is low.



## OWNERSHIP, MANAGEMENT & STAFF

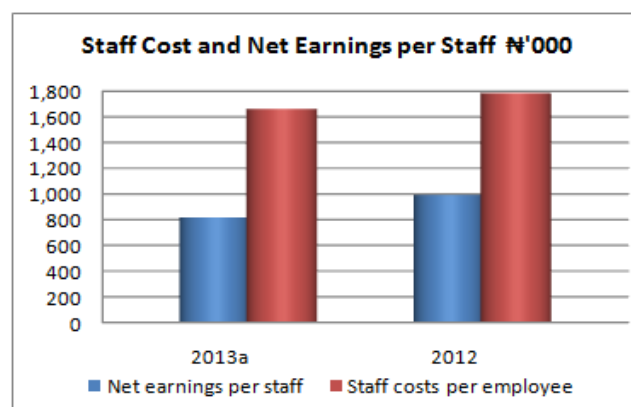
As at 30 September 2013, CWG major shareholders included Austin Okere (28.39%), Philip Obioha (22.05%), Abiodun Fawunmi (22.05%) and Aureos Africa Fund LLC (20.78%). The balance of the Company's shares was held by other individuals.

During the nine months ended 30 September 2013, CWG had six directors on the Board, led by the Chairman, Chief Willie Belonwu. The management team was led by the Managing Director and Chief Executive Officer Mr. Austin Okere. Mr. Ravi Sharma represented Aureos Africa Fund LLC on the Board as a non-executive director.

In the period under review, there was no change in the composition of the Board of Directors. However, two senior management personnel—Mr. Simon Agi (General Manager, Operations) and Mr. Oladipo Raji (General Manager, DCC division) resigned from their positions with the Company. Consequently, Mr. Gbenga Odegbami was recruited to replace the General Manager DCC division, while the Assistant Vice President, Group Sales and Operations subsumed the functions of the erstwhile General Manager Operations following a restructuring exercise.

The executive and senior management teams each have an average of 15 years work experience spanning various fields of Information Technology, business management and support services.

As at 30 September 2013, the average number of staff in CWG stood at 626 (2012: 551 persons). In the period under review, net earnings per staff to average costs per staff ratio at 49% is below our expectation and requires improvement. The ICT industry is characterised by high staff turnover, hence the need to pay competitive salaries.



In our opinion, the Company has a qualified and experienced management team. However, staff contribution to net earnings is low and requires improvement.

## SHAREHOLDING STRUCTURE

Names of Shareholder	Equity
Austin Okere	28.39%
Philip Obioha	22.05%
Abiodun Fawunmi	22.05%
Aureos Africa Fund LLC	20.78%
James Agada	4.48%
Others	2.25%

## CURRENT DIRECTORS

Chief Willie Belonwu	-	Chairman
Mr. Austin Okere	-	Chief Executive Officer
Mr. Philip Obioha	-	Chief Operating Officer
Mr. James Agada	-	Chief Technology Officer
Mr. Abiodun Fawunmi	-	Non-executive Director
Mr. Ravi Sharma	-	Non-executive Director



## MANAGEMENT TEAM

**Mr. Austin Okere** is the Chief Executive Officer of Computer Warehouse Group Plc (CWG). He is a graduate of Computer Science from the University of Lagos. He also holds a Masters of Business Administration Degree from the International Graduate School of Management (IESE), Navara, Spain. He is currently an entrepreneur in residence at the Eugene Lang Entrepreneurship Center at Columbia Business School, New York. He serves on the Advisory Board of the Minister of Communication Technology and is also a member of the Board of the National Competitiveness Council of Nigeria (NCCN). Mr. Okere is a fellow of the Institute of Directors of Nigeria.

**Mr. Philip Obioha** is the Chief Operating Officer of CWG. He was trained as an electrical engineer at the West Virginia University, Morgantown, West Virginia in USA. Mr. Obioha also holds a Masters of Business Administration Degree from the International Graduate School of Management (IESE), Navara, Spain. He has several information technology product certifications from Unisys, Dell, Brand-Rex, among others. Mr Obioha is in charge of the overall operations of the Company and oversees DCC Networks division. He is a member of the Institute of Directors of Nigeria.

**Mr. James Agada** is the Chief Technology Officer and Executive Director overseeing CWG's software division. James holds both a Bachelors Degree (First class) and a Masters Degree in Electronic Engineering with specialization in Digital Systems, from the University of Nigeria, Nsukka. He also holds a Masters of Business Administration Degree from the International Graduate School of Management (IESE), Navara, Spain. James oversees the Company's Software division, ExpertEdge and has the primary responsibility for the Company's Research and Development unit.

<b>Adedayo Abegunde</b> Assistant Vice President, Group Sales	<ul style="list-style-type: none"> <li>Bachelor's degree in Chemical Engineering (University of Lagos) and MBA (Federal University of Technology, Akure).</li> <li>Extensive background in business development, account management, account acquisition and consultative sales.</li> </ul>
<b>Femi Ibine</b> General Manager, ExpertEdge Software	<ul style="list-style-type: none"> <li>Bachelor's degree in Agricultural Economics (Federal University of Technology, Akure) and a Masters of Business Administration (Paris Graduate School of Management).</li> <li>Formerly Country Manager for the Ghana Office.</li> </ul>
<b>Olafeju Ayo-Fisher</b> General Manager, HR & Admin	<ul style="list-style-type: none"> <li>Bachelor's degree in English (University of Lagos) and Masters in Industrial relations (University of Lagos).</li> <li>Member of the Chartered Institute of Personnel Management and an alumnus of Lagos Business School.</li> </ul>
<b>Gbenga Odegbami</b> Assistant General Manager, DCC Networks	<ul style="list-style-type: none"> <li>Bachelor's degree in Electrical and Electronics Engr. (University of Lagos) and Masters of Business Administration from Warwick Business School.</li> <li>Over 10 years experience in technology and professional services companies.</li> <li>Over 20 professional certifications and accreditations including CCIE RS, Prince 2 Practitioner and Chartered IT Professional - BCS among others.</li> </ul>
<b>Remi Adeloje</b> HOD, Finance & Accounts	<ul style="list-style-type: none"> <li>Bachelor's degree in Economics (Obafemi Awolowo University, Ile-Ife, Nigeria).</li> <li>Masters in Business Administration (International Graduate School of Management, IESE, Spain).</li> </ul>

## OUTLOOK

In the nine month ended 30 September 2013, CWG's revenue was derived from banks, telecommunication service providers, oil and gas companies and manufacturing companies. In order to further boost revenue, CWG built a 50 rack Tier-3 Data Center, which is expected to support cloud computing services for the various business segments.

In the period under review, the Company's profitability was impaired by higher cost of imported information technology equipment and further exacerbated by competitive pressures. To buck this trend, CWG has begun investing in cloud computing data center infrastructures and ICT subscription services that will provide greater margins and result in lower costs thus improving the Company's profitability.

CWG was granted a tax exemption certificate by the Federal Inland Revenue Services for a period of 5 years commencing in 2012 as a pioneer in the ICT industry. In addition, CWG enjoys favorable terms of trade from 30 days to 180 days of credit from local and international suppliers. In our view, the existing favorable credit terms with customers should ensure the Company sustains its good cash flow in the short term.

The Company's low leverage will be sustained in the short term as evidenced by the low level of interest bearing debts.

CWG has strong partnerships with Wincor-Nixdorf ATMs, Infosys-Finacle, IBM, Oracle, Cisco, Microsoft, Gilat and Abraaj Group, amongst others. It enjoys technical and support services as a result of these affiliations.

We believe these partnerships will be further strengthened by CWG's strategic business focus on cloud services, payment solutions (ATM, POS and Mobile), e-inventory, e-stocking and financial inclusion for Microfinance Banks (MFBs) and Micro, Small and Medium Enterprises (MSME) in Nigeria. However, in our opinion, the Nigerian market may not be ready the commercial adoption of cloud computing services due to reluctance concern over entrusting sensitive information to third parties. In addition, the Company intends to provide ICT solutions for privatized power companies to help bridge the metering gap. In our view, these initiatives will contribute to revenue and increase CWG' market share in the ICT space.

Based on the aforementioned, we have attached a stable outlook to CWG.

## FINANCIAL SUMMARY

### COMPUTER WAREHOUSE GROUP PLC

#### STATEMENT OF FINANCIAL POSITION AS AT

	30-Sep-13		31-Dec-12		31-Dec-11	
	₦'000		₦'000		₦'000	
<b>ASSETS</b>						
1 IDLE CASH	4,113,534	23.7%	1,046,669	8.4%	396,314	3.6%
2 MARKETABLE SECURITIES & TIME DEPOSITS						
3 CASH & EQUIVALENTS	4,113,534	23.7%	1,046,669	8.4%	396,314	3.6%
4 FX PURCHASED FOR IMPORTS						
5 ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS	82,783	0.5%	81,393	0.7%	82,878	0.8%
6 STOCKS	1,812,342	10.4%	947,491	7.6%	1,014,872	9.2%
7 TRADE DEBTORS	4,145,931	23.9%	1,923,074	15.5%	2,282,830	20.7%
8 DUE FROM RELATED PARTIES			269,576	2.2%	323,247	2.9%
9 OTHER DEBTORS & PREPAYMENTS	5,327,208	30.7%	5,416,211	43.7%	4,399,074	39.9%
10 TOTAL TRADING ASSETS	11,368,264	65.5%	8,637,745	69.6%	8,102,901	73.4%
11 INVESTMENT PROPERTIES						
12 OTHER NON-CURRENT INVESTMENTS	39,117	0.2%	39,117	0.3%	39,117	0.4%
13 PROPERTY, PLANT & EQUIPMENT	1,020,985	5.9%	1,326,857	10.7%	1,392,470	12.6%
14 SPARE PARTS, RETURNABLE CONTAINERS, ETC						
15 GOODWILL, INTANGIBLES & OTHER I T ASSETS	815,339	4.7%	1,352,445	10.9%	1,101,106	10.0%
16 TOTAL LONG TERM ASSETS	1,875,441	10.8%	2,718,419	21.9%	2,532,693	23.0%
17 TOTAL ASSETS	17,357,239	100.0%	12,402,833	100.0%	11,031,908	100.0%
Growth	39.9%		12.4%		157.7%	
<b>LIABILITIES &amp; EQUITY</b>						
18 SHORT TERM BORROWINGS	1,530,840	8.8%	11,524	0.1%	199,285	1.8%
19 CURRENT PORTION OF LONG TERM BORROWINGS			999,174	8.1%	562,533	5.1%
20 LONG-TERM BORROWINGS	349,961	2.0%	2,265,027	18.3%	1,693,589	15.4%
21 TOTAL INTEREST BEARING LIABILITIES (TIBL)	1,880,801	10.8%	3,275,725	26.4%	2,455,407	22.3%
22 TRADE CREDITORS	1,235,250	7.1%	1,008,187	8.1%	1,579,002	14.3%
23 DUE TO RELATED PARTIES						
24 ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS	3,016,570	17.4%	90,648	0.7%	183,390	1.7%
25 OTHER CREDITORS AND ACCRUALS	5,358,093	30.9%	3,127,919	25.2%	2,450,056	22.2%
26 TAXATION PAYABLE	581,943	3.4%	1,174,094	9.5%	1,188,556	10.8%
27 DIVIDEND PAYABLE						
28 DEFERRED TAXATION					847	0.0%
29 OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES	60,978	0.4%	114,362	0.9%	79,812	0.7%
30 MINORITY INTEREST						
31 REDEEMABLE PREFERENCE SHARES			-		-	
32 TOTAL NON-INTEREST BEARING LIABILITIES	10,252,834	59.1%	5,515,210	44.5%	5,481,663	49.7%
33 TOTAL LIABILITIES	12,133,635	69.9%	8,790,935	70.9%	7,937,070	71.9%
34 SHARE CAPITAL	1,262,413	7.3%	1,000,000	8.1%	1,000,000	9.1%
35 SHARE PREMIUM	1,628,495	9.4%	410,883	3.3%	410,883	3.7%
36 IRREDEEMABLE DEBENTURES						
37 REVALUATION SURPLUS						
38 OTHER NON-DISTRIBUTABLE RESERVES						
39 REVENUE RESERVE	2,332,696	13.4%	2,201,015	17.7%	1,683,955	15.3%
40 SHAREHOLDERS' EQUITY	5,223,604	30.1%	3,611,898	29.1%	3,094,838	28.1%
41 TOTAL LIABILITIES & EQUITY	17,357,239	100.0%	12,402,833	100.0%	11,031,908	100.0%

## FINANCIAL SUMMARY

<u>STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED</u>	<u>30-Sep-13</u>		<u>31-Dec-12</u>		<u>31-Dec-11</u>	
	<u>₦'000</u>		<u>₦'000</u>		<u>₦'000</u>	
42 TURNOVER	14,133,238	100.0%	18,312,163	100.0%	14,182,936	100.0%
43 COST OF SALES	(11,517,955)	-81.5%	(14,646,682)	-80.0%	(11,052,117)	-77.9%
44 GROSS PROFIT	2,615,283	18.5%	3,665,481	20.0%	3,130,819	22.1%
45 OTHER OPERATING EXPENSES	(2,126,168)	-15.0%	(2,807,725)	-15.3%	(2,375,664)	-16.8%
46 OPERATING PROFIT	489,115	3.5%	857,756	4.7%	755,155	5.3%
47 OTHER INCOME/(EXPENSES)	191,824	1.4%	79,782	0.4%	272,761	1.9%
48 PROFIT BEFORE INTEREST & TAXATION	680,939	4.8%	937,538	5.1%	1,027,916	7.2%
49 INTEREST EXPENSE	(169,519)	-1.2%	(391,532)	-2.1%	(141,431)	-1.0%
50 PROFIT BEFORE TAXATION	511,420	3.6%	546,006	3.0%	886,485	6.3%
51 TAX (EXPENSE) BENEFIT	(163,654)	-1.2%	170,103	0.9%	(195,077)	-1.4%
52 PROFIT AFTER TAXATION	347,766	2.5%	716,109	3.9%	691,408	4.9%
53 NON-RECURRING ITEMS (NET OF TAX)						
54 MINORITY INTERESTS IN GROUP PAT						
55 PROFIT AFTER TAX & MINORITY INTERESTS	347,766	2.5%	716,109	3.9%	691,408	4.9%
56 DIVIDEND			(199,049)	-1.1%	(160,000)	-1.1%
57 PROFIT RETAINED FOR THE YEAR	347,766	2.5%	517,060	2.8%	531,408	3.7%
58 SCRIP ISSUES						
59 OTHER APPROPRIATIONS/ ADJUSTMENTS	(216,085)					
60 PROFIT RETAINED B/FWD	2,201,015		1,683,955		1,152,547	
61 PROFIT RETAINED C/FWD	2,332,696		2,201,015		1,683,955	

<u>ADDITIONAL INFORMATION</u>	<u>30-Sep-13</u>	<u>31-Dec-12</u>	<u>31-Dec-11</u>
62 Staff costs (₦'000)	1,041,041	984,026	924,202
63 Average number of staff	626	551	557
64 Staff costs per employee (₦'000)	1,663	1,786	1,659
65 Staff costs/Turnover	7%	5%	7%
66 Capital expenditure (₦'000)	220,945	466,054	906,718
67 Depreciation expense - current year (₦'000)	337,336	524,567	387,880
68 (Profit)/Loss on sale of assets (₦'000)	-	-	-
69 Number of 50 kobo shares in issue at year end ('000)	2,524,826	2,000,000	2,000,000
70 Market value per share of 50 kobo (year end)	-	-	-
71 Market capitalisation (₦'000)	-	-	-
72 Market/Book value multiple	-	-	-
73 Non-operating assets at balance sheet date (₦'000)	39,117	39,117	39,117
74 Market value of tradeable assets (₦'000)			
75 Revaluation date - Investment properties			
76 Revaluation date - Other properties			
77 Average age of depreciable assets (years)	5	5	5
78 Sales at constant prices - base year 1985 (₦'000)	79,921	109,276	94,757
79 Auditors	ERNST & YOUNG	ERNST & YOUNG	ERNST & YOUNG
80 Opinion	UNAUDITED	CLEAN	CLEAN

## FINANCIAL SUMMARY

<u>STATEMENT OF CASHFLOW FOR THE YEAR ENDED</u>			
	<u>30-Sep-13</u>	<u>31-Dec-12</u>	<u>31-Dec-11</u>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>
81 OPERATING CASH FLOW (OCF)	2,645,666	1,130,911	317,480
82 LESS: RETURNS TO PROVIDERS OF FINANCE	(169,519)	(590,581)	(301,431)
83 OCF AFTER RETURNS TO PROVIDERS OF FINANCE	2,476,147	540,330	16,049
84 NON-RECURRING ITEMS	-	-	-
85 FREE CASH FLOW	2,476,147	540,330	16,049
86 INVESTING ACTIVITIES	505,642	(710,293)	(1,660,859)
87 FINANCING ACTIVITIES	85,076	820,318	971,956
88 CHANGE IN CASH	3,066,865	650,355	(672,854)
 <u>PROFITABILITY</u>			
89 PBT AS % OF TURNOVER	4%	3%	6%
90 RETURN ON EQUITY	10%	15%	29%
91 REAL SALES GROWTH	-27%	15%	
 <u>CASH FLOW</u>			
92 INTEREST COVER (TIMES)	15.6	2.9	2.2
93 PRINCIPAL PAYBACK (YEARS)	1.2	-	
 <u>WORKING CAPITAL</u>			
94 WORKING CAPITAL NEED (DAYS)	18	72	79
95 WORKING CAPITAL DEFICIENCY (DAYS)	-	-	9
 <u>LEVERAGE</u>			
96 INTEREST BEARING DEBT TO EQUITY	36%	91%	79%
97 TOTAL DEBT TO EQUITY	232%	243%	256%

## RATING DEFINITIONS

### INVESTMENT GRADE

#### **Aaa:**

This is the highest rating category. It indicates a company with impeccable financial condition and overwhelming ability to meet obligations as and when they fall due.

#### **Aa:**

This is a company that possesses very strong financial condition and very strong capacity to meet obligations as and when they fall due. However, the risk factors are somewhat higher than for Aaa obligors.

#### **A:**

This is a company with good financial condition and strong capacity to repay obligations on a timely basis.

#### **Bbb:**

This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.

### SPECULATIVE GRADE

#### **Bb:**

This refers to companies with satisfactory financial condition but capacity to meet obligations as and when they fall due may be contingent upon refinancing. The company may have one or more major weakness (es).

#### **B:**

This refers to a company that has weak financial condition and capacity to meet obligations in a timely manner is contingent on refinancing.

#### **C:**

This refers to an obligor with very weak financial condition and weak capacity to meet obligations in a timely manner.

#### **D:**

Obligor in default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.



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