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This document is important and should be read carefully. If you are in any doubt about its contents or the action to take, kindly consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance immediately.

“FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS SEE “RISK FACTORS” COMMENCING ON PAGE 21’

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# **HONEYWELL**

## **Flour Mills Plc**

**(RC: 55495)**

### **INITIAL PUBLIC OFFERING**

By way of an

**Offer for Sale Of**

**1,252,941,177**

Ordinary Shares of 50Kobo each

At **₦8.50** per share

and an

**Offer for Subscription Of**

**941,176,471**

Ordinary Shares of 50 Kobo each

At **₦8.50** per share

Payable in full on Application

**APPLICATION LIST OPENS: December 03, 2008**

**APPLICATION LIST CLOSES: December 31, 2008**

**Lead Issuing House:**



RC: 446599

**Joint Issuing House**



RC 223042

**Joint Issuing Houses:**



RC 125478



RC: 47104



RC 444999

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This Prospectus and the securities, which it offers, have been cleared and registered by the Securities and Exchange Commission. It is a civil wrong and a criminal offence under the Investments and Securities Act No 29, 2007 to issue a Prospectus, which contains false or misleading information. Clearance and registration of this Prospectus and the securities, which it offers, do not relieve the parties from any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact.

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**This Prospectus is dated November 26, 2008**

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## KEY TERMS & ABBREVIATIONS

Name	Abbreviations	Explanation
FBN Capital Limited	"FBN Capital"	Lead Issuing House
BGL Plc	"BGL"	Issuing House
Clearing House Number	CHN	Clearing House Number
Corporate Affairs Commission	CAC	The agency that oversees the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 and oversees matters provided there under including the formation, incorporation, registration, management and winding up of companies
Compound Annual Growth Rate	CAGR	Year-on-year growth of an investment over a specified period, if it grows steadily on a compounding basis
Dividend per share	DPS	Amount of dividend allocated to each outstanding 50 kobo share
Dividend Yield	DY	A component of total return on a stock that shows how much a company pays out in dividends each year relative to its share price.
Earnings per share	EPS	The amount or percentage of profit allocated to each 50 Kobo share outstanding
Honeywell Flour Mills Plc	"HFM Plc" or "the Company"	The Issuer
Honeywell Superfine Foods Limited	"HSFL"	A wholly-owned subsidiary of the Issuer
International Standards Organisation	ISO	An internationally recognized quality standard under the aegis of the International Organization for Standardization, Switzerland, which is issued by the Standards Organization of Nigeria (SON).
Issuing Houses		FBN Capital Limited, BGL Plc, Bank PHB Plc, Oceanic Capital Company Limited and UBA Capital (Africa) Limited
LFN	LFN	Laws of the Federation of Nigeria
The Nigerian Stock Exchange	"The NSE" or "The Exchange"	The exchange on which securities are listed and it is also a trading point for securities. It is a self regulatory organization.
"Pari Passu"		Equally
Price Earnings Ratio	P/E	Amount investors are willing to pay for 1 Kobo of earnings
"Prospectus"		The legal document issued in respect of the Total Offer
"Receiving Agents"		Market Operators authorized to receive Application Forms/monies from prospective investors for the Total Offer
"Related Parties"		Any body corporate, which is the company's subsidiary or holding Company.
Securities and Exchange Commission	"SEC" or "The Commission"	Apex regulatory institution of the Nigerian Capital Market
Siloam Global Services Limited	Siloam	The Offeror
Total Offer	"The Total Offer" or "IPO"	Offer for Sale of 1,252,941,177 Ordinary Shares of 50 Kobo each at ₦8.50 per share and an Offer for Subscription of 941,176,471 Ordinary Shares of 50 Kobo each at ₦8.50 per share.
Underwriting	"Underwriting"	The process by which an underwriter undertakes to take up a proportion of the shares of the Issuer for a fee known as the Underwriting Commission

## CORPORATE DIRECTORY

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<b>Head Office:</b> 2nd Gate Bye-Pass, NP Plc Premises Tin Can Island Lagos State Telephone: +234 1 5453679-83, 01-7916311 Email: Website: <a href="http://www.honeywellflour.com">www.honeywellflour.com</a>	<b>Outlets</b> SW 8/1185 No 5, Sanda Street Molete Ibadan Oyo State
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## ABRIDGED TIMETABLE

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DATE*	ACTIVITY	RESPONSIBILITY
December 03, 2008	Application List Opens	ISSUING HOUSES
December 31, 2008	Application List Closes	ISSUING HOUSES
January 14, 2009	Receiving Agents Make Returns	ISSUING HOUSES/REGISTRARS
February 10, 2009	Forward Allotment Proposal, Summary Reports and Draft Newspaper Announcement to SEC	ISSUING HOUSES
February 20, 2009	Receive SEC Authorization of Allotment	ISSUING HOUSES
February 23, 2009	Remit Net Proceeds of the Total Offer to Issuer and Offeror	ISSUING HOUSES
February 27, 2009	Allotment Announcement	ISSUING HOUSES
February 27, 2009	Return Excess/Rejected Application Monies	ISSUING HOUSES/REGISTRARS
March 06, 2009	Distribute Share Certificates	REGISTRARS
March 09, 2009	Forward Declaration of Compliance to The Exchange	ISSUING HOUSES/STOCKBROKERS
March 20, 2009	Listing of Issued Share Capital on the NSE/ Trading Commences	ISSUING HOUSES/STOCKBROKERS
March 23, 2008	Forward Post Completion Report to the SEC	ISSUING HOUSES

Please note that all dates shown above are indicative and are estimates based on current expectations regarding the transaction. Thus such dates are subject to factors outside our control and are thus subject to change without prior notice.

## SUMMARY OF THE OFFER

The following information should be read in conjunction with the full prospectus from which it was derived:

<b>Issuer:</b>	Honeywell Flour Mills Plc																							
<b>Offeror:</b>	Siloam Global Services Limited																							
<b>Issuing Houses:</b>	<ul style="list-style-type: none"> <li>■ FBN Capital Limited (Lead)</li> <li>■ BGL Plc</li> <li>■ Bank PHB Plc</li> <li>■ Oceanic Capital Company Limited</li> <li>■ UBA Capital (Africa) Limited</li> </ul>																							
<b>18Share Capital:</b>																								
Authorised:	₦4,000,000,000 comprising 8,000,000,000 Ordinary Shares of 50 Kobo each																							
Issued and Fully Paid:	₦3,500,000,000 comprising 7,000,000,000 Ordinary Shares of 50 Kobo each																							
<b>Method Of Sale:</b>	An Offer for Sale of 1,252,941,177 Ordinary Shares of 50 Kobo each and an Offer for Subscription of 941,176,471 Ordinary Shares of 50 Kobo each																							
<b>Offer Price:</b>	₦8.50 per share																							
<b>Total Offer Size</b>	₦18,650,000,008 split into an Offer for Sale of 1,252,941,177 Ordinary Shares of 50 Kobo each and an Offer for Subscription of 941,176,471 Ordinary Shares of 50 Kobo each.																							
<b>Payment Terms:</b>	In full on application																							
<b>Units of Sale:</b>	Minimum of 1,000 ordinary shares and multiples of 100 ordinary shares thereafter																							
<b>Purpose:</b>	<p>The Total Offer is being undertaken to give investors an opportunity to become part owners of HFM Plc. The combined Offer will also avail the Company the opportunity to meet the listing requirements for The NSE.</p> <p>After deducting the Cost of the Offer for Subscription which amounts to ₦318,105,281.6* representing 3.98% and underwriting cost of 10%, the Net Proceeds of the Offer for subscription will be apportioned in the following manner:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a7ebb; color: white;">Utilization</th> <th style="background-color: #4a7ebb; color: white;">₦Million</th> <th style="background-color: #4a7ebb; color: white;">%</th> <th style="background-color: #4a7ebb; color: white;">Gestation Period</th> </tr> </thead> <tbody> <tr> <td>Purchase of additional Pasta Plant</td> <td style="text-align: right;">3,662</td> <td style="text-align: center;">52</td> <td style="text-align: center;">18 months</td> </tr> <tr> <td>New Business **</td> <td style="text-align: right;">2,324</td> <td style="text-align: center;">33</td> <td style="text-align: center;">18 months</td> </tr> <tr> <td>Working Capital</td> <td style="text-align: right; border-top: 1px solid black;">1,056</td> <td style="text-align: center;">15</td> <td style="text-align: center;">Immediate</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">7,042</td> <td></td> <td></td> </tr> </tbody> </table> <p>*Please note that the cost of the Offer for Subscription does not include the Underwriting Fees. **New business – production of spices and condiments</p>			Utilization	₦Million	%	Gestation Period	Purchase of additional Pasta Plant	3,662	52	18 months	New Business **	2,324	33	18 months	Working Capital	1,056	15	Immediate	<b>Total</b>	7,042			
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Purchase of additional Pasta Plant	3,662	52	18 months																					
New Business **	2,324	33	18 months																					
Working Capital	1,056	15	Immediate																					
<b>Total</b>	7,042																							
<b>Offer Period:</b>	Opens: December 03, 2008 Closes: December 31, 2008																							
<b>Market Capitalisation @ Offer Price:</b>	Pre Offer: ₦59.5billion Post Offer: ₦67.5billion																							
<b>Status:</b>	The shares being offered rank pari passu in all respects with the other existing issued ordinary shares in the Company.																							
<b>Quotation:</b>	An application has been made to The Nigerian Stock Exchange for the admission to its Daily Official List, the entire Issued Share Capital of Honeywell Flour Mills Plc comprising of 7,941,176,471 Ordinary Shares of 50Kobo each.																							
<b>Underwriting:</b>	In accordance with the rules and regulations of the SEC, ₦14,920,000,000 representing 80% of the Offer is underwritten on a firm basis by the Issuing Houses as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a7ebb; color: white;">Issuing House/Underwriters</th> <th style="background-color: #4a7ebb; color: white;">No. of shares</th> <th style="background-color: #4a7ebb; color: white;">Value(N)</th> </tr> </thead> <tbody> <tr> <td>FBN Capital Limited</td> <td style="text-align: right;">588,235,294</td> <td style="text-align: right;">5,000,000,000</td> </tr> <tr> <td>BGL Plc</td> <td style="text-align: right;">520,000,000</td> <td style="text-align: right;">4,420,000,000</td> </tr> <tr> <td>Bank PHB Plc</td> <td style="text-align: right;">176,470,588</td> <td style="text-align: right;">1,500,000,000</td> </tr> <tr> <td>UBA Capital (Africa) Limited</td> <td style="text-align: right;">58,823,529</td> <td style="text-align: right;">500,000,000</td> </tr> <tr> <td>Oceanic Bank International Plc</td> <td style="text-align: right;">411,764,706</td> <td style="text-align: right;">3,500,000,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>1,755,294,117</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>14,920,000,000</b></td> </tr> </tbody> </table>			Issuing House/Underwriters	No. of shares	Value(N)	FBN Capital Limited	588,235,294	5,000,000,000	BGL Plc	520,000,000	4,420,000,000	Bank PHB Plc	176,470,588	1,500,000,000	UBA Capital (Africa) Limited	58,823,529	500,000,000	Oceanic Bank International Plc	411,764,706	3,500,000,000	<b>TOTAL</b>	<b>1,755,294,117</b>	<b>14,920,000,000</b>
Issuing House/Underwriters	No. of shares	Value(N)																						
FBN Capital Limited	588,235,294	5,000,000,000																						
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UBA Capital (Africa) Limited	58,823,529	500,000,000																						
Oceanic Bank International Plc	411,764,706	3,500,000,000																						
<b>TOTAL</b>	<b>1,755,294,117</b>	<b>14,920,000,000</b>																						

## SUMMARY OF THE OFFER

<b>Claims &amp; Litigation</b>	The Company in its ordinary course of business is presently involved in Three [3] cases. Two of the cases were instituted against HFM Plc while one was brought by HFM Plc. The amount claimed in the cases instituted against HFM Plc is estimated at N121,847,400 (one hundred and twenty one million, eight hundred and forty seven thousand, four hundred naira) while the total amount claimed in the case instituted by HFM Plc is estimated at N180,000.00 (one hundred and eighty thousand naira). It is however pertinent to note that the above figures are by no means conclusive of the potential liability of the claims instituted against HFM Plc. It is the opinion of the Solicitors to the Offer that these cases are unlikely to succeed against HFM Plc and in the event that they succeed, the Directors of HFM Plc are of the opinion that none of the aforementioned cases is likely to have a material effect on HFM Plc or the Offer, and are not aware of any other pending and or threatened claims or litigation which may be material to the Offer.
<b>Indebtedness</b>	As at the date of this Prospectus, the company has bank facilities in the ordinary course of business amounting to ₦9.72billion.
<b>Share Certificates</b>	Share certificates in respect of the shares allotted will be sent by electronic transfer to the CSCS account of all allottees not later than 15 working days from the date of allotment. Investors are hereby advised to state the name of their stockbrokers as well as their CSCS account Number/ Clearing House Number in the space provided on the application form. Investors who do not know their CSCS Account Number or their CHN should contact their stockbrokers. However, investors without CSCS Account Number/CHN will receive their certificate by registered post within 15 working days of allotment.
<b>Foreign Investors:</b>	Foreign investors can participate in the Offer in accordance with SEC Rules and Section 15(2) of the Foreign Exchange (Monitoring and miscellaneous provision) Act which provides that the Certificate of Capital Importation must be issued within 24 hours of the inflow of capital. Payment which must be made by bank transfers or by the issuance of cheques will be domiciled with the Receiving Banks. The applicable exchange rate will be the ruling autonomous rate at the time of subscription. The Receiving Bank shall arrange for the Certificate of Capital importation to be issued to valid subscribers at the conclusion of the Offer.
<b>Oversubscription/ Supplementary Allotment:</b>	In event of an over subscription, additional shares not exceeding 25% of the oversubscribed portion may be issued subject to the approval of the Board of HFM Plc and the subsequent approval of the SEC. The Supplementary proceeds would be utilized for the same purposes as stated above.
<b>Group Structure:</b>	Honeywell Flour Mills Plc has only one wholly owned subsidiary, namely, Honeywell Superfine Foods Limited (HSFL). The Company commenced operations in December 2006 as a vertical integration of HFM Plc's operations to develop, produce, market and sell flour-based semi-processed food products in the fast moving consumer goods sector.
<b>Additional information:</b>	The Company is simultaneously undertaking an Offer for sale of 1,252,941,177 Ordinary shares by Siloam Global Services Limited, this would reduce its holding in the Company to 72% post offer.

### Consolidated Financial Summary:

(Extracted From The Reporting Accountants' Report)

Year ended March 31	2008	2008**	2007	2006	2005	2004
	N 000	N 000	N 000	N 000	N 000	N 000
	Group**		The Company			
Turnover	20,904,144	18,773,815	15,599,805	13,146,833	7,790,058	7,317,620
Profit Before Taxation	988,761	889,950	697,709	776,881	194,751	196,383
Profit After Taxation	915,263	816,452	636,343	722,557	167,161	170,492
Paid-up Share Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Assets	19,979,780	14,794,961	10,919,795	11,211,983	9,390,452	5,182,747
Net Assets	5,168,882	4,743,098	3,584,465	2,948,121	2,225,565	2,058,403
Actual EPS (Kobo)*	45.76	40.82	31.82	36.13	8.36	8.52

\* The EPS above is based on 2billion ordinary shares of 50Kobo each.

\*\*The first financial statement of the company's consolidated 100% owned subsidiary (Honeywell Superfine Foods Limited) with its result covered for 15.5months ended March 31 2008.

## SUMMARY OF THE OFFER

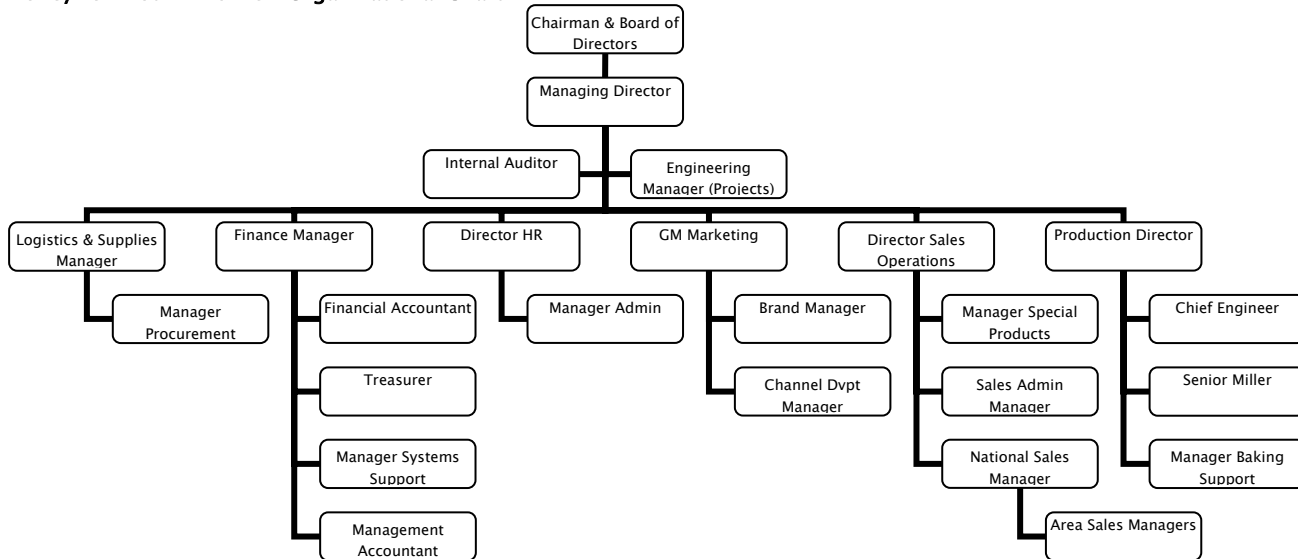
### Forecast Offer Statistics:

Assuming Full Subscription (Extracted From The Reporting Accountants' Report)

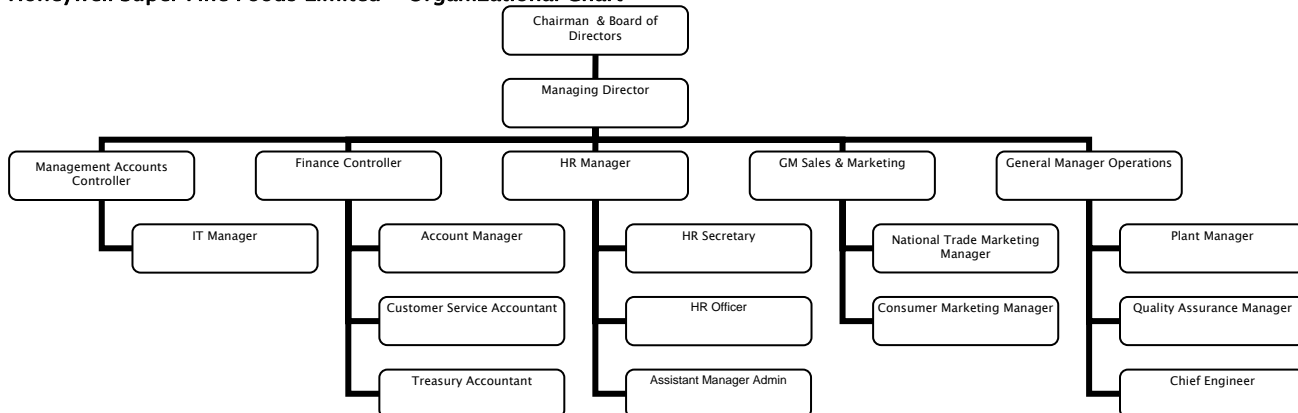
Period ending March 31	2009	2010	2011
	N'000	N'000	N'000
Turnover	44,001,350	59,278,993	80,461,964
Profit Before Taxation	2,976,429	7,363,955	10,876,152
Profit After Taxation	2,270,295	5,622,503	8,616,039
Dividend Payout	908,118	2,249,001	3,446,416
Forecast Statistics:			
Earnings Per Share (Kobo)	29	71	108
Dividend Per Share (Kobo)	11	28	43
Earnings Yield @ Offer Price (%)	3.4	8.3	12.8
Dividend Yield @ Offer Price (%)	1.3	3.3	5.1
P/E ratio @ Offer price	29.73	12.01	7.83

The Forecast EPS and DPS are based on 7,941,176,471 ordinary shares of 50Kobo each.

### Honeywell Flour Mills Plc – Organizational Chart



### Honeywell Super Fine Foods Limited – Organizational Chart



## THE OFFER

Copies of this Prospectus and the documents specified herein have been delivered to the Securities and Exchange Commission for clearance and registration. This Prospectus is being issued in compliance with the Provisions of the Investments and Securities Act No 29 of 2007, the Rules and Regulations of the Commission and the Listing Requirements of The Nigerian Stock Exchange and contains particulars in compliance with the requirements of the Commission and The Exchange, for the purpose of giving information to the public with regard to the Offer for Sale of Ordinary Shares 1,252,941,177 Ordinary Shares of 50 Kobo each at ₦8.50 per Share and an Offer for Subscription of 941,176,471 Ordinary Shares of 50 Kobo each at ₦8.50 per Share in Honeywell Flour Mills Plc by FBN Capital Limited, BGL Plc, Bank PHB Plc, Oceanic Capital Company Limited and UBA Capital (Africa) Limited. An application has been made to the Council of The NSE for the admission of the entire paid up capital of the Company to its Daily Official List.

The Directors of Honeywell Flour Mills Plc individually and collectively accept full responsibility for the accuracy of the information contained in this Prospectus. The Directors have taken reasonable care to ensure that the facts contained herein are true and accurate in all respects and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no material facts the omission of which would make any statement herein misleading or untrue.

**Lead Issuing House**  
**FBN Capital Limited**  
RC 446599

**Joint Issuing House**  
**BGL Plc**  
RC 223042

**Joint Issuing Houses:**

<b>Bank PHB Plc</b> RC 125478	<b>Oceanic Capital Company Limited.</b> RC: 475194	<b>UBA Capital (Africa) Limited</b> RC 444999
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On Behalf of  
**Honeywell Flour Mills Plc**  
RC55495

are authorised to receive applications for

an Offer for Sale of **1,252,941,177** Ordinary Shares of **50 Kobo** each at **₦8.50** per Share  
and  
an Offer for Subscription of **941,176,471** Ordinary Shares of **50 Kobo** each at **₦8.50** per Share

Payable in full on Application In Honeywell Flour Mills Plc

The Application List for the shares now being offered will open on **December 03, 2008** and close on **December 31, 2008**

### Share Capital and Reserves of the Company as at March 31, 2008:

(Extracted from the Reporting Accountants' Report)

	₦'000
Authorized*:	8 billion Ordinary Shares of 50 Kobo each <b>4,000,000</b>
Issued and fully paid**:	2 billion Ordinary Shares of 50 Kobo each 1,000,000
Capital Contribution/Deposit for Shares	552,617
Reserves:	<u>3,190,481</u>
Shareholders' funds:	<u><b>4,743,098</b></u>

\* An EGM held on the 12<sup>th</sup> day of March 2008 resolved to increase the authorised share capital from N1 Billion to N4 Billion and to further split the 4 Billion Ordinary shares of N1 each to 8 Billion Ordinary Shares of 50k.

\*\*An EGM held on the 19<sup>th</sup> day of March 2008 authorized the directors to acquire 999,999 ordinary shares of N1 each in HSFL and allot 1,999,998,000 ordinary shares of 50k each to shareholders of HSFL as consideration.

\*\*An EGM held on the 8<sup>th</sup> day of April 2008 approved a bonus issue of 3 Billion ordinary shares of 50k each to the existing shareholders in the proportion of 3 ordinary shares for every 4 shares previously held.

## DIRECTORS AND OTHER PROFESSIONAL PARTIES

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### DIRECTORS:

**Mr. Oba Otudeko (OFR)** (Chairman)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mr. Folaranmi Babatunde Odunayo** (Managing)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Lt. General Garba Duba (rtd)** (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mr. Ambrose Feese** (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mr. Siji Ijogun** (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Chief Kola Jamodu** (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mr. Dave Obray** (South African) (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mrs. Adebisi Otudeko** (Non-Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

**Mr Obafemi Otudeko** (Non-Executive)

2nd Gate Bye-Pass  
NP Plc premises  
Tin can Island  
Lagos

**Dr Nino Ozara** (Executive)

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

### COMPANY SECRETARY & REGISTERED OFFICE

**Mrs. Oluwayemisi Busari**

2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

### ISSUING HOUSES/UNDERWRITERS:

**FBN Capital Limited** (Lead)

16, Keffi Street  
South-West Ikoyi  
Lagos

**BGL Plc**

Millennium House  
12A, Catholic Mission Street  
Lagos Island  
Lagos

**Bank PHB Plc**

Plot 707, Adeola Hopewell Street  
Victoria Island  
Lagos

**Oceanic Capital Company Limited (Issuing House)**

19A, Adeola Odeku Street  
Victoria Island  
Lagos

**UBA Capital (Africa) Limited**

UBA House (11<sup>th</sup> Floor)  
57, Marina  
Lagos

### AUDITORS:

**Balogun Badejo & Co. (Polaris)**

(Chartered Accountants)  
6 Ilupeju Bye-pass  
Ilupeju  
Lagos

### REPORTING ACCOUNTANTS:

**Baker Tilly Nigeria**

(Formerly Aneni Dairo & Co/ Oyelami. Soetan Adeleke & Co.)  
(Chartered Accountants)  
4<sup>th</sup> Floor, Kresta Laurel Complex  
376 Ikorodu Road  
Maryland, Lagos

## DIRECTORS AND OTHER PROFESSIONAL PARTIES

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### SOLICITORS TO THE OFFER:

#### **Olaniwun Ajayi LP**

4<sup>th</sup> Floor, UBA House  
57, Marina  
Lagos

### SOLICITORS TO THE COMPANY:

#### **S.P.A. Ajibade & Co.**

Suite 301 Spaaco House  
27A, Macarthy Street  
Lagos

### REGISTRARS TO THE OFFER:

#### **First Registrars Nigeria Limited**

2, Abebe Village Road  
Iganmu  
Lagos

### RECEIVING BANKERS:

#### **First Bank of Nigeria Plc**

Samuel Asabia House  
35, Marina  
Lagos

#### **Oceanic Bank International Plc**

(Receiving Banker & Underwriter)  
Waterfront Plaza  
270, Ozumba Mbadiwe Street  
Victoria Island  
Lagos

### LEAD STOCKBROKERS TO THE OFFER:

#### **FBN Securities Limited (Lead)**

16, Keffi Street  
South-West Ikoyi  
Lagos

#### **BGL Securities Limited**

Plot 1061, Abagbon Close  
Off Ologun Agbaje Street  
Victoria Island  
Lagos

### JOINT STOCKBROKERS TO THE OFFER:

#### **Adamawa Securities Limited**

42, Galadima Aminu Way  
Jimeta  
Yola

#### **Anchoria Investment and Securities Limited**

112 Lewis Street  
Lagos

#### **APT Securities & Funds Limited**

29 Marina  
Lagos

#### **Capital Assets Limited**

8th Floor  
Bookshop House  
50/52, Broad Street  
Lagos

#### **Compass Investment and Securities Limited**

17<sup>th</sup> Floor, Stock Exchange House  
2/4 Customs Street  
Lagos

#### **ChapelHill Denham Management Limited**

NECOM House  
20th Floor  
15, Marina, Lagos

#### **De-Canon Investments Limited**

Wesley House (4<sup>th</sup> Floor)  
21/22, Marina  
Lagos

#### **EDC Securities Limited**

21 Ahmadu Bello Way  
Victoria Island  
Lagos

#### **Finmal Finance Services Limited**

10 Ijora Causeway  
Lagos

#### **FSDH Securities Limited**

UAC House  
1/5, Odunlami Street  
Lagos

#### **Futureview Financial Services Limited**

161D, Aufu Taylor Close,  
Off Idejo Street  
Victoria Island, Lagos

#### **Global Assets Management (Nig) Limited**

Investment House  
21/25 Broad Street, Lagos

#### **GTI Capital Limited**

Stock Exchange House  
20<sup>th</sup> Floor  
2/4 Customs Street,  
Lagos

## **DIRECTORS AND OTHER PROFESSIONAL PARTIES**

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### **IBTC Asset Management Limited**

StanbicBTC Place  
Walter Carrington Crescent  
Lagos

### **Kinley Securities Limited**

47, Marina  
Lagos

### **LB Securities Limited**

Plot 932, Idejo Street  
Victoria Island,  
Lagos

### **Marina Securities Limited**

10 Amodu Ojikutu Street  
Victoria Island, Lagos

### **Pilot Securities Limited**

Fourth Floor  
Elephant Cement House  
Central Business District  
Alausa, Ikeja  
Lagos

### **Tiddo Securities Limited**

1st Floor  
Left Wing, Labour House  
Central business District  
Garki Abuja

### **Tower Assets Management Limited**

Suite 6,2<sup>nd</sup> Floor (Marina Court)  
Plot 252A, Herbert Macaulay Way  
Opposite NNPC Tower  
Central Area District, Abuja, FCT

### **UBA Stockbrokers Limited**

Raymond House  
97/105 Broad Street  
3<sup>rd</sup> & 4<sup>th</sup> Floor  
Lagos

### **UNEX Capital Limited**

3, Biadou Street  
Off Keffi Street  
South West Ikoyi  
Lagos

## CHAIRMAN'S LETTER

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The following is the text of a letter received by the Issuing Houses from **Mr. Oba Otudeko (OFR.)**, Chairman, Board of Directors of Honeywell Flour Mills Plc:

The Directors  
**FBN Capital Limited**  
16, Keffi Street  
South-West Ikoyi  
Lagos

The Directors  
**Bank PHB Plc**  
Plot 707, Adeola Hopewell Street  
Victoria Island  
Lagos

The Directors  
**UBA Capital (Africa) Limited**  
UBA House (11<sup>th</sup> Floor)  
57, Marina  
Lagos

The Directors  
**BGL Plc**  
Millennium House  
12A, Catholic Mission Street  
Lagos Island  
Lagos

The Directors  
**Oceanic Capital Company Limited**  
19A, Adeola Odeku Street  
Victoria Island  
Lagos

Dear Sirs,

### **HONEYWELL FLOUR MILLS PLC – OFFER FOR SALE OF 1,252,941,177 ORDINARY SHARES OF 50 KOBO EACH AT ₦8.50 PER SHARE AND AN OFFER FOR SUBSCRIPTION OF 941,176,471 ORDINARY SHARES OF 50 KOBO EACH AT ₦8.50 PER SHARE**

It is my pleasure to provide you the following information in connection with Honeywell Flour Mills Plc's offer for sale of 1,252,941,177 ordinary shares and its offer for subscription of 941,176,471 ordinary shares being made to the public by your good selves on behalf of the Company.

#### **Nigerian Economy and Political environment**

The Nigerian economy has been fairly stable with growth in the non-oil sector and positive macro-economic indices. GDP in 2006 was about N18.2trillion and this was projected to grow steadily over the next few years (CBN report). However, the downturn in global financial economies couple with falling oil prices could slow down the gains achieved in the past few years.

In a recent report released by Merrill Lynch published in the ThisDay Newspaper of November 16, 2008, Nigeria was ranked as one of the World's 10 least vulnerable economies. Nigeria with a population of about 140million(NPC, Nigeria) was able to record a 7.3% growth in GDP with its Consumer price index hovering at 11.5%, its current account balance, fiscal balance and public debt at 6%, 6.3% and 10.4% respectively. The foreign reserve is put at \$60.8billion.

On the political scene, the successful change of government and the pledge of the current administration to continue with the policy reforms of its predecessor would sustain progress made in the previous years. The new administration has made the rule of law its cardinal principle and the Niger Delta question is being addressed. The political environment is expected to remain stable and continue to support economic and social development.

#### **History & Business Activities:**

Honeywell Flour Mills Plc was initially registered as Gateway Honeywell Flour Mills Limited on July 9, 1985 with a share capital of ₦10million comprising of 10million ordinary shares of ₦1.00 each. A change in the company's ownership structure led to a change of name to Honeywell Flour Mills Limited (HFML) in June 1995. A subsequent conversion to a Public Liability Company in 2008 led to its current name – Honeywell Flour Mills Plc. HFM Plc now has an authorized share capital of ₦4billion comprising of 8billion ordinary shares of 50Kobo each of which ₦3.5 billion is fully paid up.

Over the years HFM Plc has positioned itself as one of the market leaders in flour milling, processing & packaging of flour and livestock feeds from wheat. The entry of the Company into the flour milling industry redefined the industry standards; as its high quality compelled an improvement in the quality of flour products by other players in the industry.

#### **Honeywell's Operating Environment**

The Nigerian economy has gained momentum over the years of democratic governance and is currently reaping from the well conceived macro – economic reforms that were introduced at the turn of the century. Such benefits include:

- Stable exchange rate regime,
- External Reserves have also grown to about \$60 billion in 2008 (Merrill Lynch report published in the ThisDay Newspaper of November 16, 2008)BB rating by international rating agencies (S&P and Fitch),

## CHAIRMAN'S LETTER

- Increased contribution of the non-oil sectors of the economy to GDP,
- Increased flow of Foreign Direct Investments (FDI) to Nigeria,
- Relatively stable interest rates and inflation rates. Economic reports reveal that inflation pressure has dipped from a peak of 23.9% in 2003 to a single digit of 7%. The projected inflation rate for 2008 is 8.5%,
- Current GDP growth estimates for Nigeria are above historical averages.
- Nigeria's demographic indices continue to be strong.
- Exponential growth of the Nigerian Capital market as evidenced by growth in market capitalization and capital raising capacity since 2005,
- The existence of competitive businesses is transforming Nigeria into a diversified economy with exciting growth opportunities.

### Products

**Honeywell Superfine Flour:** This is used mainly for baking bread which is fast becoming the staple food in most homes. It is also used for baking cakes, biscuits, pastries and other confectioneries. It is used by many bakers across the country as a blend with other flour brands as an assurance for an excellent baking experience. It is packaged in 50kg polypropylene bags for easy handling.

**Honeywell Semolina:** This brand was introduced in June 2006. It is positioned in the market as a ready alternative to local food items. HFM Plc's Semolina brand is also one of the most patronized brands in Nigeria. The demand is very strong, outstripping the production capacity as a result of which the company had to expand its semolina extraction capacity in 2006 after its introduction. It embarked on another phase of expansion in 2007.

**Honeywell Brown Flour:** This is used in baking 'whole wheat' bread, which is a recommended health food for adult consumers. Although the adoption of brown bread is at a slow pace, the company is committed to developing and positioning it in the minds of bread consumers through partnership with medium to large bakeries in major Nigerian cities.



### Awards and Accolades

In January 2006, HFM Plc became the first flour milling company in Nigeria to be awarded the NIS ISO 9001:2000 certification in recognition of its quality management systems, covering our processes and production. This certificate is issued only to companies whose processes meet with international quality standards. It was also awarded the Mandatory Conformity Assessment Programme (MANCAP) by the Standards Organisation of Nigeria (SON) in recognition of the quality of its Semolina brands in 2007. Prior to this, in the year 2004 it had received the NIS quality award in respect of our flour quality. As a mark of this quality its flour and semolina brands carry the NIS ISO 9001:2000 and the MANCAP logo respectively.

### Milling and Process Technology

The flour milling process is basically the separation of the endosperm from the germ and the bran layers of the wheat grain. Using the gradual reduction process ensures that the endosperm (flour and semolina) is carefully separated through several sub-processes of repeated grinding, scalping, sifting, grading and purification. This is achieved only after a thorough dry cleaning and conditioning of the wheat grains. High quality hard wheat is sourced from the main wheat growing countries of the world. However, the Hard Red Winter Wheat (HRW No. 2 variety) from the USA forms the bulk of HFM Plc's milling wheats.

Wheat vessels with capacity of up to 30,000 metric tonnes of wheat are discharged with the company's VIGAN bulk ship unloader and conveyed by overhead belts through the Tin-Can Island Port premises directly into our 52,000 metric tonnes grain silos for binning. The proximity of the wheat intake process to the production factory minimises freight and handling costs.

At Honeywell Flour Mills Plc, the latest state-of-the-art technology in grain processing using plant and machineries from world renowned engineering suppliers and flour enhancing and fortification ingredients is deployed. The flour milling plants were designed, manufactured, installed and commissioned by BUHLER AG, Uzwil, Switzerland - who is the acclaimed world leader in milling process engineering. Its processes and systems conform to international standards and are ISO 9001:2000 certified.



## CHAIRMAN'S LETTER

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Honeywell Superfine flour and Honeywell Brown flour are bagged in 50kg woven polypropylene sacks using high speed carousel packers. Honeywell Semolina comes in 1, 2, 5 and 10kg pack-sizes. The 1 and 2kg sizes are packed using high speed ROVEMA vertical form-fill and seal packers. HSFL uses the latest technology in Noodles manufacturing. It currently runs three high-speed lines and utilizes global best practices in its manufacturing operations.

### HFM PLC's Production Facilities

Honeywell Flour Mills has a multi-billion Naira modern factory located at Tin-can Island Port, Apapa, Lagos, equipped with state-of-the-art machinery for wheat discharge/storage, milling, quality control and warehousing.

In the absence of a reliable public power system, the Company has to generate its own power. Today, it has 2 operating power supply systems of 4 and 5 megawatts capacity respectively, using diesel as the source of fuel. It is soon to commission a third power supply system which will run on gas and has a total installed capacity of 12 megawatts. With the gas power plant as an alternative, production bottlenecks caused by frequent shortages in diesel supply and poor diesel quality will be minimized. The Company also expects to make substantial cost savings in the use of gas to generate power, and these savings have been incorporated in the profit forecast.



### Expansion of Production Capacity

The demand for Honeywell Superfine Flour has continued to grow in leaps and bounds, as evidenced by its turnover figures. Within 10 years of its operations, it achieved significant increase in its production capacity. In its effort to meet the increasing demand for its flour and flour products, it has consistently upgraded its production facilities. Production commenced in 1998 following the construction and installation of a 200-metric tonnes wheat mill at the Tin Can Island site. Following the successful commissioning of the mill, the sale of "Honeywell Superfine Flour" commenced on July 13, 1998.

In 1999, the company embarked on a remodeling project to increase the milling capacity to 360 tonnes per day. In November 2001, installed production capacity was further increased to 610 metric tonnes per day. By August 2005, the Company had taken a giant leap with the installation of two mills capable of producing 500 metric tones a day respectively. This addition brought the total installed capacity of the company to 1,610 metric tonnes per day further strengthening its position as a key player in the flour milling industry in Nigeria.

### Overview of the Flour Milling Industry

The market size of flour is estimated to be on the increase, with bread becoming the staple food in most urban cities, the demand for flour and its related bread consumption is expected to rise within a supportive economic growth environment. Flour market growth is also evident in the increasing number of Fast Food Restaurants and the demand for pastries, sandwiches, and other flour-based products. Thus, no difficulty is envisaged in the near future in the marketing of its products. HFM Plc has already carved out a niche for its brands in the market through consistent product quality and an efficient back-up service to its customers.

About 22 milling locations in the Country owned by about 11 milling groups exist in Nigeria, with the leading players in the industry (of which Honeywell Flour Mills Plc is one), having a combined installed capacity of 25,000 MT per day and control over 75% of the market. Honeywell Flour Mills Plc plans to embark on an aggressive strategy that will increase its capacity utilization to 100% up from 80% (where the industry average is estimated to be less than 35%).

Because of the overcapacity in the flour milling business, the industry is characterized by intense competition and price war. Product price and dealer incentives can sometimes be the reason for the users to select more of one brand than the other. Despite the situation of the commoditization of flour an adequate niche exists in the market for quality flour and flour products. Our brand, Honeywell Superfine flour occupies this niche in the market place through quality of product and an efficient customer back-up service.



The industry is characterized by the following:

## CHAIRMAN'S LETTER

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- Highly oligopolistic
- High barrier to entry in terms of huge capital outlay
- Requires large production capacity
- Turnover and earnings driven primarily by market share and capacity utilisation
- Margins within the sector are relatively thin (due to high cost of production) hence earnings determined by ability to boost sales.
- Existence of seasonal variations. Demand for wheat based foods is usually higher in the dry season (between March and September) while in the wet season there is an increase in demand in substitute foods such as maize and groundnuts.
- Demand is dependent on Quality, Price of substitutes, seasonality and other exogenous factors.
- Pricing is regulated primarily by the Flour Millers Association, however the big players set prices which are above the fixed prices in order to increase margins and grow profits.

### **We believe HFM Plc is very well positioned in the industry as a result of the following attributes:**

- High cash flow generation
- Consistency in the quality of its products
- Consistent significant demand for product
- Platform for future growth in higher growth products
- Low cost production
- Strong management team
- Cutting edge technology
- Diversification of customer base
- Unmatched customer service
- A Baking School service which upgrades the professional skills of its baker customers. This training improves the success rate of baking outcomes and their business endeavours.

The Honeywell Flour Mills Baking School runs regular 3 week courses for Bakers, and a one-week Executive Baking Course for Bakery Owners. It is the only Baking School that is run by a Flour Mill in Nigeria for the training of bakers.

### **Acquisition of Subsidiary Company: Honeywell Super Fine Foods Limited**

HFM Plc acquired Honeywell Superfine Foods Limited (HSFL) which commenced operations in December 2006 as a vertical integration of its business with the objective of developing, producing and marketing flour-based semi-processed food products in the fast moving consumer goods (FMCG) sector. HSFL is located at Secretariat Road, Alausa, Ikeja. The Company's noodles brand popularly known as 'O! Instant Noodles' was an instant success. HSFL's incorporation was inspired by a strategic move of the Honeywell Group to enter the fast moving consumer goods (FMCG) business and the desire to delight consumers with hygienic and exciting fast moving products in the processed foods industry. In doing so, it sought to harness the resources and entrepreneurial capabilities of the Honeywell Group. The logical and natural consequence of this strategic initiative is the Group's forward integration leveraging on its flour milling business.

HSFL is currently the only Noodles manufacturer in Nigeria that is supported by related Flour Mill for its flour supply needs. HSFL therefore, has the capability of determining Noodles quality right from the procurement of wheat. ***O! Instant Noodles*** is noted for superior quality and taste and is a favourite amongst children and adults alike.

HSFL has a nation-wide distribution network covering the length and breadth of Nigeria. The Company recently won the Mandatory Conformity Assessment Certification Programme (MANCAP) award given by the Standards Organization of Nigeria (SON). It has achieved this feat within twelve months of its operations in the Noodles market.

HSFL is presently implementing a product expansion aimed at rapidly growing its business. Key components of its strategic growth initiative include the following:

- Installation of a Pasta Plant and Silo Towers at its Factory Complex along Mobolaji Johnson Avenue, Alausa, Ikeja. Spaghetti and Macaroni will be produced on high speed, fully automated lines, using the latest cutting-edge process technology.
- Proposed launch of its brand of Pasta products in a couple of months.
- Exploitation of opportunities in the Seasoning and Spices market. The company plans to manufacture its own seasoning for Noodles, and also launch value-for-money brands in the Seasoning and Spices market.
- Maintenance of its cost management policy, ensure the reduction of marginal cost through its new projects while enhancing its reach to potential consumers in various regions within and outside the country

## CHAIRMAN'S LETTER

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### Board of Directors

The Board of Directors comprises of 10 members of which I, Mr. Oba Otudeko, OFR, am the Chairman. I am an entrepreneur with business interests spanning various sectors of the Nigerian economy. In addition to being the founder and Chairman of the Honeywell Group of Companies, I am the Chairman of the Board of First Bank of Nigeria, UK; First Trustees Nigeria Limited; Fan Milk Plc and the Nigerian-South African Chamber of Commerce, and a Director on the Board of many blue-chip companies.

I had my early education at the St. James's School Oke-Bola Ibadan, St. John's School, Oke-Agbo Ijebu-Igbo and Olivet Baptist High School, Oyo from 1956 to 1960 before proceeding to the Leeds College of Commerce in the United Kingdom in 1966 for preparatory studies for my professional examinations. I am a fellow of the following professional bodies; the Institute of Chartered Accountants of Nigeria, the Chartered Institute of Bankers, UK, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators of Nigeria. I am also the Chancellor of the Olabisi Onabanjo University, Ago-Iwoye, Ogun State.

My colleagues on the Board are:

#### **Mr. Folaranmi Babatunde Odunayo** – Managing Director

Mr Odunayo attended King's College, Lagos from January 1966 to December 1970, and graduated from the University of Ife, Ile-Ife in June 1975 with a degree in Agriculture. He was the first prize winner in the 1980 Final Part II qualifying examination of the Institute of Chartered Accountants of Nigeria and he is a Fellow of that Institute. He has several years of business management experience. He worked with Coopers & Lybrand, an international firm of Chartered Accountants, both as an Accountant and a Management Consultant for nearly 10 years. Before he joined the Honeywell Group in 1992, he was the Finance Director of Hagemeyer Nigeria Plc. (now known as D.N.Meyer Plc), a publicly quoted company. A few months ago, he was appointed to the Business Advisory Council of the Faculty of Business Administration, University of Lagos and he is the Vice Chairman of that Council. He is also the Vice Chairman, Flour Milling Association of Nigeria and a member of the Leadership Council of the International Association of Operative Millers, Middle East and Africa.

#### **Lt. General Garba Duba (rtd)** (Non- Executive Director)

General Duba is a retired Lieutenant-General of the Nigerian Army. Prior to his foray into the military, Gen. Duba had his early education at the Kontagora Primary School from 1951 to 1954 after which he proceeded to Provincial Secondary School Bida, Niger State(1956-1962). He joined the Nigerian Army as a Cadet Officer on 10<sup>th</sup> December, 1962 and rose through the ranks, attending numerous courses and holding various positions of responsibility.

General Duba was appointed the Military Administrator of Bauchi State and held this position between 1977 and 1979. He has also served as the Military Administrator of Sokoto State (1984), General Officer Commanding, 2<sup>nd</sup> Mechanised Division, Nigerian Army (1987-88), General Officer Commanding, 3<sup>rd</sup> Armoured Division and Commandant, Nigerian Defence Academy (1990-1992).

General Duba has played several political and economic roles as the Leader of the Niger State delegation to the National Political Reform Conference and the Chairman, New Nigerian Development Company Ltd. He is currently the Chairman, SGI Nigeria Limited. He is also a Director of First Bank of Nigeria Plc. He has been a director of Honeywell Flour Mills Plc since August 1998.

#### **Mr. Ambrose Asula Feese** (Non-Executive Director)

Mr. Feese attended Leeds Polytechnic from September 1966 to June 1970 where he obtained an ACCA qualifying as a Chartered Accountant. He also holds an associate membership with the Taxation Institute of United Kingdom. He was also a student of the University of Bradford University from 1976 to 1980 where he obtained a Certificate in Project Planning and Appraisal.

He is a fellow of the following professional bodies: the Institute of Chartered and Corporate Accountants and the Institute of Chartered Accountants of Nigeria. He is also an Associate Member of the Institute of Directors having been a Director at various times with notable Companies such as Universal Trust Bank Plc, Icon Stockbrokers, NAL Merchant Bank Limited, Hogg Robinson Nigeria, FSB International Bank Plc, Dynamic Consulting Limited and, most recently, Honeywell Flour Mills Plc. He was formerly the Chairman of Cornerstone Insurance Plc.

He had a brief stint in the political arena when he was appointed as the Honourable Minister of State for Works and Housing and served from August 1998 till May 1999. He has been a director of Honeywell Flour Mills since 2004.

## CHAIRMAN'S LETTER

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### **Mr. Siji Ijogun** (Non- Executive Director)

Mr Siji Ijogun is an experienced administrator and Chartered Accountant. He attended the University of Lagos where he obtained a B.Sc Degree in Business Administration. He graduated in 1980. He is a fellow of the Chartered Institute of Management Accountants and a member of the Institute of Chartered Accountants of Nigeria.

Mr. Ijogun started his career with Deloitte Haskins and Sells as an Auditor. He was Financial Controller of Unilever Egypt in 1993, Group Financial Controller of UAC Nigeria in 1997, Divisional Managing Director, UAC Foods in 1998. He was appointed to the Board of UAC as the Group Financial Director. He left UAC of Nigeria Plc in March 2003 and joined the Honeywell Group as the Group Executive Director in April 2003. He is currently the Managing Director of Honeywell Superfine Foods Limited. He has been a director of Honeywell Flour Mills since 2004.

### **Chief Kola Jamodu, MFR** (Non- Executive Director)

Chief Jamodu's expertise lies in the areas of accounting, finance and management. He has had a long spanning career with the organization, which is currently referred to as PZ Cussons Nigeria Plc. He joined PZ in 1975 and during his stay in the company, recorded a number of achievements including, but not restricted to; becoming the first Nigerian Finance Director of PZ, the first Nigerian Managing Director of a trading subsidiary of PZ, and the first Nigerian Chairman and Chief Executive Officer of PZ. He held the latter post for ten [10] years before retiring in 1999.

He is a fellow of the following professional bodies; the Chartered Institute of Management Accountants, Nigeria (IMA)(1977), the Chartered Institute of Accountants (1977) and the Institute of Chartered Secretaries and Administrators (ICSA)(1968). He is also an alumnus of Harvard Business School, Boston, Mass.USA(1986/87) and joined the Board of Honeywell Flour Mills in 2004.

### **Mr. Dave Obray** (South African) (Non-Executive Director)

Mr. Obray, a South African, had his academic and professional training in South Africa, Zambia and Nigeria. He matriculated in Zambia in 1963 and obtained a B.Sc in Electrical Engineering from the University of Natal in 1969 as well as a Government Certificate of Competency in Electronics in 1978. He served pupillage at various engineering Companies in preparation for the professional engineer status. He has since held various positions of responsibility including that of District Engineer (1973-1977), Resident Engineer, Divisional Managing Director (1984-1987) of Fraser and Chalmers and Project Manager (1996-1998) of Babcock International both in South Africa. Mr. Obray is currently the Managing Director of Pivot Engineering Company Limited, a position he has held since 2001. He joined the board of Honeywell Flour Mills in 2002.

### **Mrs. Adebisi Otudeko** (Non- Executive Director)

Mrs. Otudeko is a seasoned administrator and a Director of numerous Companies including Honeywell Flour Mills Plc, Khalil & Dibbo Transport and Haulage Limited. She had her early education at Yejide Girls Grammar School, Molete Ibadan before proceeding to the School of Radiography, Yaba Lagos where she obtained a Diploma in Radiography (DSR. Lond) in 1972. She started her working career in Adeoyo State hospital and worked in various hospitals across various states in the old Western Region of Nigeria before retiring in 1984 as a Principal Radiographer at the Ring Road State Hospital in Oyo State. She has been a member of the Board of Honeywell Flour Mills since the company's inception.

### **Mr Obafemi Otudeko** (Non Executive Director)

Mr. Obafemi Otudeko is an Executive Director of the Honeywell Group. At the Honeywell Group, he has primary responsibility for the Group's Strategy & Coordination, Corporate Development and Risk Management. He also has direct oversight over the Group's Portfolio Investments. He joined the Honeywell Group in 2003 as a Senior Manager in the Oil and Gas projects group, responsible for strategy formulation and business development. Prior to joining the Honeywell Group, he was a Senior Associate in the Financial Services Industry Practice of PricewaterhouseCoopers where he provided Assurance and Advisory services to clients in the private and public sector. He has been a member of the Board of Honeywell Flour Mills since 2006.

Mr. Otudeko holds a B.A (Hons) Degree in Accountancy Studies from the University of Huddersfield, UK which he obtained in July 1997. He also holds a Certificate in Corporate Finance which he obtained from London Business School in February 2005 and is an Associate member of the Institute of Chartered Accountants, having qualified in July 2005.

### **Dr. Nino Ozara** (Executive Director, Production)

Dr Ozara graduated with a First Class Honours Degree in Soil Science at the University of Ibadan in 1981. He was a University of Ibadan and Commonwealth Scholar. Dr Ozara obtained a Doctorate Degree in Soil Science from Silsoe College, Cranfield Institute of Technology, United Kingdom in 1989.

## CHAIRMAN'S LETTER

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Before joining the Honeywell Group in 1998, he was a researcher and university teacher rising to the rank of Head of Department of Crop Production in 1996 at the Federal University of Technology, Owerri, Nigeria. Dr Ozara had his professional training in milling operations at the Swiss Mill in Zurich and the world-renowned Swiss Milling School, St. Gallen, Switzerland, Buhler Training Centre, Uzwil, Switzerland and at Kurtz Muhle, Memmingen, Germany. He was appointed to the board of Honeywell Flour Mills in 2007.

### **Management and Key Staff**

The key management staff comprises of the following:-

#### **Mr. Olanrewaju Jaiyeola** – Director, Sales Operations

Mr. Jaiyeola obtained a Bachelor's Degree in Mathematics and Statistics from Obafemi Awolowo University, Ile-Ife, Nigeria in 1986. He had his professional accountancy training with the international Accounting firm of Messrs. Akintola Williams & Co and qualified as a Chartered Accountant in 1990. He acquired relevant accounting experience in reputable organisations before joining the Honeywell Group in 1993. Owing to his versatility, after holding various accounting and finance positions within the Group. Mr. Jaiyeola was deployed to head the sales function in 2004. Following excellent results delivered by Mr. Jaiyeola since joining the Sales function, he was appointed Director, Sales Operations in August 2007.

#### **Mr. Alex Taiwo** – Head, Human Resources

Mr. Taiwo has several years of Human Resources practice and experience. He is a 1971 English Honours graduate from the University of Ibadan and, also has a Masters Degree in Public Administration from the University of Ife, Ile-Ife, now OAU, Ile-Ife (1983). Mr. Taiwo has had a chequered career in Human Resources Management practice in two multinational Companies: 2 years in NCR Plc, and 9 years in Arthur Anderson & Co., a firm of Chartered Accountants and Consultants. He served for 9 years as Human Resources Adviser in the Honeywell Group before his appointment as Director, Human Resources of Honeywell Flour Mills Plc

#### **Mr. Abu Abari** – Chief Engineer

Engr. Abari holds a B.Sc ad professional training in Mechanical Engineering from the University of Lagos (1981). He has over twenty-five years of working experience with heavy Engineering base. He has varied and rich experience as Services Engineer, Manufacturing Manager and Engineering Manager, to mention a few. Engr. Abari is a member of the Institute of Mechanical Engineering (UK) and the Council of Registered Engineers of Nigeria (COREN). He joined Honeywell Flour Mills Plc in September 2007 from Dunlop Nigeria Plc. where he was the Chief Engineer.

#### **Mr. Benson Evbuomwan** – General Manager, Marketing

Mr. Evbuomwan trained as a Pharmacist at the University of Benin, Benin City, Nigeria and graduated in 1990. He has had many years of varied and rich experience in brand management and marketing acquired from top fast-moving consumer goods manufacturing and marketing multinational companies including Procter & Gamble 1997 to 2005 and Guinness Nigeria Plc from 2005 to 2006. He is a member of both the Advertising Practitioners Council of Nigeria and the Nigerian Institute of Management. He joined Honeywell Flour Mills Limited in September 2006.

#### **Mr. Rotimi Fadipe** – Logistics & Supplies Manager

Mr. Fadipe obtained a Bachelor's Degree in Accounting from University of Lagos (1991) and Higher National Diploma in Estate Management from Yaba College of Technology (1992). He was admitted into the membership of the Institute of Chartered Accountants of Nigeria in 1997 having passed the qualifying examinations of the Institute. Mr. Fadipe joined the Group in 1993 as a Management Trainee. He was the Finance Manager, Honeywell Group, before his deployment to Honeywell Flour Mills Limited in 2002. He was appointed into his current position in December 2005.

#### **Mr. Ibukun Ojo**– Finance Manager

Mr. Ojo obtained a first degree in Accounting from University of Ife, Ile-Ife in 1986 (now Obafemi Awolowo University). He is a Chartered Accountant, and an Associate member of the Chartered Institute of Taxation. He has had several years of extensive and diversified experience in all areas of Accounting, Finance and Information Technology in the Banking and Manufacturing sectors. To his credit, he has developed several computer programmes. He joined Honeywell Flour Mills Plc in August 1999.

#### **Mr. Titus Oloidi** – Project Engineering Manager

Engr. Oloidi had his academic and professional training in Nigeria, the United Kingdom and Sweden. He holds a Diploma in Electrical & Electronic Engineering from the Yaba College of Technology (1974). He is a member of the Nigerian Society of

## CHAIRMAN'S LETTER

Engineers and is registered with the Council for the Regulation of Engineering in Nigeria (COREN). Titus has over thirty years' experience in power systems design and engineering project management. He joined the Honeywell Group in 1994.

### Mrs. Oluwayemisi Busari – Company Secretary

Mrs. Busari is a lawyer with over sixteen years' experience in Legal Advisory Services and Administration. She obtained a Bachelor of Arts Degree in English Language from the University of Ilorin in June 1986. Subsequently, she studied at the University of Lagos and the Nigerian Law School and obtained LL.B and B.L degrees in 1990 and 1991 respectively. Prior to working with Honeywell Group, she worked as a Senior Associate with Bentley Edu & Company (1995–1999) as well as working as a Solicitor with Irving and Bonnar (1991–1995), engaging mostly in commercial law. She has a Masters degree in Law from the University of Lagos (1994) as well as an Executive MBA from the prestigious Lagos Business School (2004). Mrs Busari is also the Head, Legal Services Honeywell Group Limited

### Premises

Honeywell Flour Mills Plc is located within the Nigeria Ports Authority (NPA) premises at 2<sup>nd</sup> Gate Bye Pass, Tin Can Island Port, Apapa, Lagos. This property is held on a leasehold basis and consists of Mill Buildings, Warehouses, Office blocks, Silos, Canteen/Clinic block, Gate houses, Water treatment house, power houses all located strategically within the premises.

### Purpose of the Offer

The Offer is being undertaken to give investors an opportunity to become part owners of Honeywell Flour Mills Plc. This Offering will also avail the Company the opportunity to meet the requirements for listing on The Nigerian Stock Exchange. After deducting the Cost of the Offer which amounts to ₦318,105,281.6\* representing 3.98% and underwriting cost of 10%, the Net Proceeds of the Offer for subscription will be apportioned in the following manner:

Utilization	₦Million	%	Gestation Period
Purchase of additional Pasta Plant	3,662	52	18 months
New Business **	2,324	33	18 months
Working Capital	1,056	15	Immediate
<b>Total</b>	<b>7,042</b>		

\*Please note that the cost of the Offer for Subscription does not include the Underwriting Fees.

\*\*New business – production of spices and condiments.

### Working Capital, Dividend & Profit Forecast

The Directors of the Company, having regard to its present financial position and the anticipated proceeds of the Offer, are of the opinion that the Company will have adequate working capital and sufficient liquidity to meet its immediate and foreseeable obligations and funding requirements.

The Directors estimate that in the absence of unforeseen circumstances, the profit after taxation for the years ending March 31, 2009, 2010 and 2011 will be in the order of (all amounts in thousand naira) ₦2,270,295, ₦5,622,503 and ₦8,616,039 respectively.

Year ending March 31	2009	2010	2011
	₦'000	₦'000	₦'000
<b>Turnover</b>	44,001,350	59,278,993	80,461,964
<b>Profit before taxation</b>	2,976,429	7,363,955	10,876,152
<b>Provision for taxation</b>	(706,134)	(1,741,452)	(2,260,113)
<b>Profit after taxation</b>	2,270,295	5,622,503	8,616,039
<b>Dividend</b>	908,118	2,249,001	3,446,416
<b>Forecast Statistics:</b>			
<b>Earnings per share (Kobo)</b>	29	71	108
<b>Dividend per share (Kobo)</b>	11	28	43

## CHAIRMAN'S LETTER

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Earnings Yield @ Offer Price (%)	3.4	8.3	12.8
Dividend Yield @ Offer Price (%)	1.3	3.3	5.1
P/E ratio @ Offer price	29.73	12.01	7.83

The Forecast EPS and DPS are based on 7,941,176,471 ordinary shares of 50Kobo each.

### Risk and Mitigating Factors

Investors should be aware that there are risks associated with any investment in the stock market. In addition, there are a number of risks factors specific to the Company, the industries in which the Company operates and the general business environment. These risk factors may be outside the control of the Company, Directors and senior management team and have an impact on the operating and financial performance of the Company.

The business activities of the Company are subject to various risks. These risks include (but are not limited to):

#### a. Specific Business Risk

**Fluctuations in raw material costs:** Wheat represents more than 85% of the cost of production of flour and Pricing is determined in accordance with international pricing mechanism and has remained high over the last 3 years. However HFM PLC will continue to monitor price trend on a daily basis in order to take advantage of favorable price movements for forward price commitments.

**Competition from potential new entrants:** There is always a challenge from new entrants to the market. However, entry barriers are high owing to the huge capital expenditure requirements of flour mills. Given the current trends in the Nigerian Flour Milling industry, it is expected that in order to benefit from economies of scale, a new entrant should consider a plant with an installed capacity of at least 1,500 MT per day. A flour milling plant with a daily production capacity of 500 Mt. would cost in excess of \$15 million (N2 billion).

**Competition from Existing Producers:** Although the Flour Milling industry has a low capacity utilization and a strong competition in the market place, HFM Plc has strong quality brands which have occupied a comfortable niche in the customers' mind. Thus the company has been able to sustain a capacity utilization of 80% in an industry environment of about 35% capacity utilization.

**Fluctuation in Energy Supply:** HFM Plc requires about 8 to 9 MVA of energy for its production operations and does not rely on Public Power supply which remains inadequate and unsteady for its manufacturing purposes. In its 10 years of production operations, the company has always generated its own power supply and will soon be commissioning a gas powered generating plant which will be backed up by two existing diesel engine power plants in case the supply of gas is turned off for maintenance or some other reason.

The gas-powered plant comes with a standby unit out of 4 units, and this configuration will allow rotational use and maintenance. A similar engine configuration exists for the diesel engines. Honeywell has never had to shut down or rationalize its production output because of a serious failure in the power plant.

The company has a well-trained crop of local and expatriate engineers and technicians who ensures that its power plants are always available for its year-round energy requirements.

**Seasonality of Flour:** Being a commodity, flour sales are subject to fluctuation between seasons. After the rain and harvest of farm produce, the demand for flour tends to drop in favour of farm produce. To address this factor, we have established a robust customer base which can sometimes extend to neighboring countries.

**Changes in Regulatory Environment:** HFM Plc is exposed to changes in the regulatory environment

- I. The wheat flour produced by HFM Plc complies with the S.O.N's requirement to fortify flour with Vitamin A and micronutrients. Wheat flour fortification is an initiative designed to help improve nutrition around the world, especially in countries where flour is a major food source.
- II. The Government is currently encouraging the local flour milling companies by imposing significantly higher import duties of 35% on finished wheat (flour) and semolina products whilst wheat grains attract only 5%. HFM Plc, like other

## CHAIRMAN'S LETTER

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companies in the manufacturing sector, is protected by the import substitution policy of the Government and it is not likely that this policy would be discontinued, leaving local manufacturing firms exposed to unfair competition.

- III. Cassava flour inclusion in wheat flour: As a means of creating import substitution opportunities for cassava, the local flour millers have been mandated to include 5% cassava flour in wheat flour. HFM Plc continuously sources good quality cassava flour from the local market to ensure that their flour output meets the high standards of the Company and complies with the SON's requirement.

### b. Currency Risk

The input costs are subject to fluctuations in the exchange rate of the Naira against the US Dollar. It is expected that the country's huge foreign reserves and the CBN's effective management of the exchange rate would ensure that the exchange rate between the naira and the dollar continues to remain stable. The CBN has strengthened the controls around the exchange of foreign currency and there is much more transparency in the market.

### c. Country / Political Risk

Nigeria faces economic and political risk. Nigeria has experienced 9 years of uninterrupted democratic rule for the first time in its recent history and for the first time in its post-independence history, political power has been successfully transferred from one civilian government to another. The current government has resolved to continue the economic reforms initiated by its predecessor. Furthermore, Nigeria, for the second consecutive year, has retained BB credit rating by S&P and Fitch (which puts it at par with other developing economies like Venezuela, Turkey, Indonesia and Ukraine).

### d. Environmental Risk

As an industrial manufacturer, HFMP is affected by significant environmental risks. Pollution, environmental degradation and the emission of greenhouse gases are possible environmental hazards. HFM Plc is fully compliant with all government legislation concerning the environment and always takes steps to mitigate the environmental risks through the adoption of measures that include regular and proper maintenance of the generators, provision of safety manuals and emergency procedures, monitoring of the implementation of Health Safety and Environmental procedures, and training of staff on Health Safety and Environmental issues.

### Compliance with Code of Corporate Governance

In line with its aspiration of becoming a world-class company, HFM Plc recognizes the significance of effective Corporate Governance in corporate and economic performance. Accordingly, the Company subscribes to the Code of Best Practices on Corporate Governance in Nigeria and upon conclusion of the IPO would fully comply with its key tenants viz; good financial reporting standards, disclosure of unclaimed dividend etc. The full extent of the Company's compliance with the Code is provided as follows:

#### a. Responsibility of the Board of Directors

HFM Plc is in full compliance with all the duties and responsibilities of directors stated under Parts A, B and C of the Code.

#### b. Composition of the Board

The Board of HFM Plc is composed of ten members made up of two (2) Executive Directors and eight (8) non-Executive Directors.

Executive Directors	Non -Executive Directors
F B Odunayo(Managing Director) Dr. Nino Ozara	Oba Otudeko,OFR(Chairman); Adebisi Otudeko(Mrs.); Obafemi Otudeko(Esq.); Lt.Gen.Garba Duba(Rtd.); Ambrose A Feese(Esq.); Dave O Bray(Esq.); Olusiji Ayodele Ijogun(Esq.); Chief Kola Jamodu

The Board members are professionals and entrepreneurs with vast business management experience and credible track records.

#### c. Chairman and Chief Executive Officer Positions

Responsibilities at the top of the Company are well defined and the Board is not dominated by one individual. The position of the Chairman is separate from the Chief Executive. The Chairman is not involved in the day-to-day operations of the Company.

#### d. Proceedings and Frequency of Meetings

The Board meets quarterly. Sufficient clear agenda/reports are given ahead of such meetings. All Directors have access to the Company Secretary who can only be appointed or removed by the Board and also reports to the Board.

#### e. Reporting and Control

The Board is responsible for and ensures proper financial reporting as well as the establishment of strong internal control procedures. The Audit Committee comprising Executive and non-Executive Directors and representatives of shareholders will be set up on completion of this Offer. The Audit Committee will be chaired by a shareholder.

## CHAIRMAN'S LETTER

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### **f. Shareholders' Rights and Privileges**

The Directors ensure that shareholders' statutory and general rights are protected at all times. Shareholders are responsible for electing the Directors at Annual General Meetings for which at least a notice of 21 working days is given before the meeting.

### **g. Remunerations Committee**

The company currently does not have a remunerations committee. Though, the company is in the process of setting one up and envisage that by the next annual general meeting, the committee will be up and running.

### **Business Prospect & Going Concern Status**

The Directors of HFM Plc, after due consideration of the Company's future strategic plans, are of the opinion that the Company will have adequate working capital for its immediate and foreseeable obligations and funding requirements and will continue in operations in the foreseeable future.

### **Training, Research & Development**

HFM Plc undertakes research and development activities and has in the last three years spent ₦175 Million and intends to continue to explore ways of improving the quality of its products at cheaper prices, enhancing efficiency in its operations, and increasing the returns attributable to shareholders.

### **Unclaimed and Un paid Dividend**

There are no unclaimed and unpaid dividends accruing to shareholders of HFM Plc as at the date of this Prospectus.

### **Future Plans**

HFM Plc will continue to be a key player in the flour milling industry and the added strength the IPO will give HFM Plc's Balance Sheet will allow us to retain and increase our market share. HFM Plc will compete at all levels and in all markets and will have the required financial strength to achieve this.

The Company has installed a state-of-the art milling equipment and will continue to invest in such facilities and technology in order to maintain its quality advantage in its competitive market. The company is also actively involved in product research and development and will be introducing new consumer products into the market within the next 4 months in order to enhance its market share and improve its profitability and growth.

HFM Plc's strategic direction remains focused on providing a high range of quality products for the complete satisfaction of our highly valued customers.

Yours faithfully,



**Mr. Oba Otudeko, OFR**  
Chairman

## CHAIRMAN'S LETTER

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### PROFIT FORECAST

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#### Letter from the Reporting Accountants

15<sup>th</sup> September 2008

The Directors

**Honeywell Flour Mills Plc**

2nd Gate Bye-pass

NP Plc premises

Tin Can Island

Lagos

The Directors

**FBN Capital Limited**

16, Keffi Street

South-West Ikoyi

Lagos

The Directors

**Bank PHB Plc**

Plot 707, Adeola Hopewell Street

Victoria Island

Lagos

The Directors

**UBA Capital (Africa) Limited**

UBA House (11<sup>th</sup> Floor)

57, Marina

Lagos

The Directors

**BGL Plc**

Millennium House

12A, Catholic Mission Street

Lagos Island

Lagos

The Directors

**Oceanic Capital Company Limited**

19A, Adeola Odeku Street

Victoria Island

Lagos

#### Gentlemen,

We have reviewed the accounting policies and calculations for the **financial forecast** of Honeywell Flour Mills Plc together with its wholly-owned subsidiary, Honeywell Superfine Foods Limited (for which the Directors of Honeywell Flour Mills Plc are solely responsible) for the five years ending 31<sup>st</sup> March 2009 to 2013

In our opinion, the financial forecast so far as the accounting policies and calculations are concerned have been properly compiled on the basis of the assumptions made by the Directors as set out on page 26 and are presented in accordance with generally accepted accounting principles in Nigeria. However, there could be differences between forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Yours faithfully



**Baker Tilly Nigeria**

(Formerly Aneni Dairo & Co/ Oyelami. Soetan Adeleke & Co.)

**Chartered Accountants**

## PROFIT FORECAST

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### Letter from the Reporting Accountants in respect of the Going Concern Status

15<sup>th</sup> September 2008

The Directors

**Honeywell Flour Mills Plc**

2nd Gate Bye-pass

NP Plc premises

Tin Can Island

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The Directors

**FBN Capital Limited**

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**BGL Plc**

Millennium House

12A, Catholic Mission Street

Lagos Island

Lagos

The Directors

**Oceanic Capital Company Limited**

19A, Adeola Odeku Street

Victoria Island

Lagos

Gentlemen,

### CONFIRMATION OF THE GOING CONCERN STATUS

Based on confirmation we received from the Directors of Honeywell Flour Mills Plc and our review, as Reporting Accountants, of past audited results of the company, as well as the Company's existing operational position, we do not have reasons to doubt that the Company will continue in operation in the foreseeable future.

Yours faithfully,



**Baker Tilly Nigeria**

(Formerly Aneni Dairo & Co/ Oyelami. Soetan Adeleke & Co.)

**Chartered Accountants**

## PROFIT FORECAST

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### Assumptions Underlying the Forecast Financial Statements for 2009 to 2013 Financial Years

The forecast has been arrived at on the following bases and assumptions:

1. **Bases**

- a) Previous years' performances and projections for additional investments or expansions have been reviewed as the basis for measuring the reasonableness of the forecasts for the financial years ending 31st March, 2009, 2010, 2011, 2012 and 2013.
- b) The estimates for the five years ending 31st March, 2013 have been prepared on a basis consistent with the accounting policies normally adopted by the company.

2. **Assumptions**

The following are the main assumptions underlying the profit forecast for the five years ending 31st March, 2013 and are expected to remain in operation throughout the forecast period:

- a) The current Federal Government fiscal policies will not be changed to adversely affect the company.
- b) There will be no new legislation materially affecting the flour milling and/or wheat-based products industry.
- c) The company's share of the market will be sustained by continuing to enjoy the goodwill of present and future customers. In this regard, the company's diversification programme and the actualization of its planned expansion/further investment in Pasta production will strengthen its market share and earnings power.
- d) The expertise of the present management personnel will be sustained.
- e) There will be no litigation with adverse material consequences on the company.
- f) Operating results will not be significantly affected by industrial disputes within the company, the industry or in the country.
- g) There will be no material changes in government regulations affecting labour costs and operating expenses besides the ones already in force.
- h) There will be no drastic change in the political and economic climate that will adversely affect the operations of the company.
- i) There will be no material acquisitions or disposals of fixed assets other than as projected to arrive at the results in the forecast.
- j) The company will suffer no major un-insured catastrophe
- k) There will be no changes in the current accounting policies.
- l) Interest and exchange rates will enjoy a measure of stability and there will be no volatile variations which will adversely affect the fortunes of the Company and/or its subsidiary.

## PROFIT FORECAST

### The Profit Forecast for the year 31<sup>st</sup> March 2009 to 2013

for the year ending	31st MARCH	2009 =N='000	2010 =N='000	2011 =N='000	2012 =N='000	2013 =N='000
TURNOVER:						
Main Products		43,972,962	59,008,330	80,101,834	90,494,865	99,608,696
Bye Products et al		28,388	270,663	360,130	428,675	430,051
		<b>44,001,350</b>	<b>59,278,993</b>	<b>80,461,964</b>	<b>90,923,540</b>	<b>100,038,747</b>
Cost of Goods Sold		-37,159,301	-47,444,473	-63,108,525	-70,169,638	-75,916,975
<b>Gross Profit</b>		<b>6,842,049</b>	<b>11,834,520</b>	<b>17,353,439</b>	<b>20,753,902</b>	<b>24,121,772</b>
Operating Expenses		-2,645,708	-4,456,662	-6,678,926	-7,355,071	-7,611,605
Operating Profit Before Int & Tax (EBIT)		<b>4,196,341</b>	<b>7,377,858</b>	<b>10,674,513</b>	<b>13,398,831</b>	<b>16,510,167</b>
Interest (Expenses)/Income		-1,219,912	-13,903	199,639	548,502	1,034,753
<b>Profit Before Tax (PBT)</b>		<b>2,976,429</b>	<b>7,363,955</b>	<b>10,874,152</b>	<b>13,947,333</b>	<b>17,544,920</b>
Taxation		-706,134	-1,741,452	-2,260,113	-2,844,243	-3,563,635
<b>Profit After Tax</b>		<b>2,270,295</b>	<b>5,622,503</b>	<b>8,614,039</b>	<b>11,103,090</b>	<b>13,981,285</b>
Gross Profit Margin		16%	20%	22%	23%	24%
PBT Margin		7%	12%	14%	15%	18%
Turnover Growth Rate		0	35%	36%	13%	10%
EBIT Growth Rate		0	76%	45%	26%	23%
Forecast Earnings per 50 kobo share (kobo)		29	71	108	140	176
Proposed Dividend per 50kobo share (kobo)		11	28	43	56	70
Proposed Dividend Yield at Offer Price		1.3%	3.3%	5.1%	6.6%	8.2%
Proposed Dividend Cover (times)		2.5	2.5	2.5	2.5	2.5
Price Earnings Ratio at Offer Price		29.31	11.97	7.87	6.07	4.83

## PROFIT FORECAST

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### Letter from the Issuing Houses

The following is a copy of the letter from the Issuing Houses on the Profit Forecast:

November 26, 2008

The Directors  
**Honeywell Flour Mills Plc**  
2nd Gate Bye-Pass, NP Plc Premises  
Tin Can Island  
Lagos

Dear Sir,

**HONEYWELL FLOUR MILLS PLC – OFFER FOR SALE OF 1,252,941,177 ORDINARY SHARES OF 50 KOBO EACH AT ₦8.50 PER SHARE AND AN OFFER FOR SUBSCRIPTION OF 941,176,471 ORDINARY SHARES OF 50 KOBO EACH AT ₦8.50 PER SHARE (“THE OFFER”)**

We write further to the Prospectus issued in respect of the Offer for Sale of 1,252,941,177 Ordinary Shares of 50Kobo each at and an Offer for Subscription of 941,176,471 Ordinary Shares of 50 Kobo each by Honeywell Flour Mills Plc, the draft of which we have had the privilege of reviewing. The Prospectus contains forecasts of the profits of the Company for the years ending 2009–2013.

We have discussed the bases and assumptions upon which the forecasts were made with you and with Baker Tilly Nigeria, the Reporting Accountants. We have also considered the letter, dated September 15, 2008 from the Reporting Accountants regarding the accounting bases and calculations upon which the forecasts were compiled.

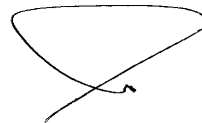
Having considered the assumptions made by you as well as the accounting bases and calculations reviewed by the Reporting Accountant, we consider that the forecasts (for which you as Directors are solely responsible) have been made by you after due and careful enquiry.

Yours faithfully,

**For: The Issuing Houses**




Adebayo Adeleke  
MD/CEO  
FBN Capital Limited



Albert Okumagba  
MD/CEO  
BGL Plc



Francis Atuche  
MD/CEO  
Bank PHB Plc



Oboden Ibru  
MD/CEO  
Oceanic Capital Company Limited



Sonnie Ayere  
MD/CEO  
UBA Capital (Africa) Limited

## FINANCIAL INFORMATION

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### Reporting Accountants Report on the Audited Consolidated Financial Statements

15<sup>th</sup> September 2008

The Directors  
**Honeywell Flour Mills Plc**  
2nd Gate Bye-pass  
NP Plc premises  
Tin Can Island  
Lagos

The Directors  
**FBN Capital Limited**  
16, Keffi Street  
South-West Ikoyi  
Lagos

The Directors  
**BGL Plc**  
Millennium House  
12A, Catholic Mission Street  
Lagos Island, Lagos

The Directors  
**Bank PHB Plc**  
Plot 707, Adeola Hopewell Street  
Victoria Island  
Lagos

**Oceanic Capital Company Limited**  
19A, Adeola Odeku Street  
Victoria Island  
Lagos

The Directors  
**UBA Capital (Africa) Limited**  
UBA House (11<sup>th</sup> Floor)  
57, Marina  
Lagos

**Gentlemen,**

We **report on the financial information** set out hereunder, which has been prepared for inclusion in the Prospectus issued in connection with the Offer for Sale of 1,252,941,177 ordinary shares of 50k each and an Offer for Subscription of 941,176,471 ordinary shares of 50k each in Honeywell Flour Mills Plc.

#### **Basis of Preparation**

The financial information is based on the audited financial statements of the Company for the five years ended 31<sup>st</sup> March 2008 and has been prepared in accordance with the accounting policies set out on page 31 hereunder.

#### **Responsibility**

The financial statements on which our report is based are the responsibility of the Directors of the Company who approved the Offer. It is our responsibility to compile the financial information, to form an opinion on the financial information and to report our opinion to you after making adjustments as we considered necessary.

#### **Basis of Opinion**

We conducted our work in accordance with generally accepted auditing standards. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence we evaluated included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or error.

#### **Opinion**

In our opinion, the financial information given for the purpose of the Prospectus issued in connection with the Offer for Sale of 1,252,941,177 ordinary shares of 50k each and Offer for subscription of 941,176,471 ordinary shares of 50k each of the Company, gives a true and fair view of the state of affairs of the Company at the dates stated and of its profits and cash flows for the periods then ended.

Yours faithfully



**Baker Tilly Nigeria**

(Formerly Aneni Dairo & Co/ Oyelami. Soetan Adeleke & Co.)

**Chartered Accountants**

## FINANCIAL INFORMATION

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### Significant Accounting Policies

1. **Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention.

2. **Basis of consolidation**

The group financial statements for 2008 consolidate the financial statements of Honeywell Flour Mills Plc and its subsidiary – Honeywell Superfine Foods Limited a company in which there is 100% shareholding and control of the board of directors and management.

3. **Turnover**

Turnover represents the net invoiced value of goods sold to third parties.

4. **Fixed assets**

Fixed Assets are stated at cost less accumulated depreciation.

5. **Depreciation**

Consistent with prior years, depreciation on fixed assets has been calculated on the straight line basis on cost to write off the assets at the following annual rates

	Company	Subsidiary
Land	–	not depreciated
Leasehold and Building	–	over the Lease Period or 5%
Factory Building	2%	2%
Plant & Machinery	10%	10%
Office / Household Furniture & Fittings	20%	20%
Office/Household Equipment	20%	20%
Computer Equipment	25%	33%
Motor Vehicles	25%	25%
Tools and Safety Equipment	50%	50%

6. **Stocks**

Stocks of raw materials have been valued at cost and finished products at cost of production.

7. **Foreign currency transactions**

Transactions in foreign currencies are translated to Naira at the Central Bank of Nigeria rates ruling at the date of the transaction. Balances payable on foreign currencies are converted to the Naira at the rates of exchange ruling at the balance sheet date. All differences arising on the conversion of foreign currencies to the Naira are taken to the profit and loss account and/or the exchange rate equalization reserve account as may be appropriate.

8. **Debtors**

Debtors are stated net of deduction of specific provision for any debts considered to be doubtful of collection.

9. **Taxation**

1. **Income Tax**

Income tax payable is provided on taxable profits at the current rate of tax.

2. **Deferred Taxation**

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method.

However, the company does not provide for deferred taxation because the timing difference is not expected to crystallise in the foreseeable future.

10. **Employees retirement benefits**

The Company, in line with the provisions of the Pension Reform Act 2004 has instituted a defined contributory pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the profit and loss account.

## FINANCIAL INFORMATION

### Consolidated Balance Sheet

as at 31ST MARCH

	NOTES	2008 =N='000 The Group**	2008 =N='000 The Company	2007 =N='000 The Company	2006 =N='000 The Company	2005 =N='000 The Company	2004 =N='000 The Company
<b>ASSETS</b>							
Tangible Assets	1	11,241,883	6,792,355	6,059,420	6,343,827	5,975,303	2,344,151
Long-Term Investment	2	-	1,199,998	-	-	-	-
Deferred Costs	3	865,682	-	-	-	-	-
		<u>12,107,565</u>	<u>7,992,353</u>	<u>6,059,420</u>	<u>6,343,827</u>	<u>5,975,303</u>	<u>2,344,151</u>
<b>Current Assets:</b>							
Stocks	4	5,164,431	4,934,457	2,077,229	2,468,618	1,336,944	1,654,877
Debtors and Prepayments	5	1,300,823	1,677,637	2,419,013	1,988,939	1,888,233	1,130,811
Cash at Bank and in Hand		207,963	190,514	364,133	410,598	189,972	52,908
		<u>6,673,217</u>	<u>6,802,608</u>	<u>4,860,375</u>	<u>4,868,155</u>	<u>3,415,149</u>	<u>2,838,596</u>
Less Current Liabilities:							
<b>Creditors:</b>							
Amount falling due within one year	6	(13,611,900)	(10,051,863)	(7,335,330)	(7,748,901)	(5,731,149)	(3,124,344)
Net Current Assets/(Liabilities)		<u>(6,938,683)</u>	<u>(3,249,255)</u>	<u>(2,474,955)</u>	<u>(2,880,746)</u>	<u>(2,316,000)</u>	<u>(285,748)</u>
Amount falling due after one year		-	-	-	(514,960)	(1,433,738)	-
<b>Total Net Assets</b>		<u>5,168,882</u>	<u>4,743,098</u>	<u>3,584,465</u>	<u>2,948,121</u>	<u>2,225,565</u>	<u>2,058,403</u>
<b>Represented By:</b>							
<b>CAPITAL AND RESERVES</b>							
Share Capital	7	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital Contribution/Deposit for Shares	8	879,590	552,617	210,436	210,436	210,436	210,436
Revenue Reserve	9	3,289,292	3,190,481	2,374,029	1,737,685	1,015,129	847,967
<b>Shareholders' Funds</b>		<u>5,168,882</u>	<u>4,743,098</u>	<u>3,584,465</u>	<u>2,948,121</u>	<u>2,225,565</u>	<u>2,058,403</u>

\*\*The first financial statements of the company's 100% owned subsidiary (Honeywell Superfine Limited) which has been consolidated with its results covered a period of 15.5 months ended 31st March, 2008.

## FINANCIAL INFORMATION

### Consolidated Profit & Loss Account

for the year ended	31ST MARCH		2008 =N='000	2008 =N='000	2007 =N='000	2006 =N='000	2005 =N='000	2004 =N='000
		Notes	The Group**	The Company	The Company	The Company	The Company	The Company
<b>Turnover</b>		10	20,904,144	18,773,815	15,599,805	13,146,833	7,790,058	7,317,620
Cost of Sales			(18,097,766)	(16,345,616)	(13,245,102)	(10,862,148)	(6,912,730)	(6,304,490)
<b>Gross Profit</b>			<b>2,806,378</b>	<b>2,428,199</b>	<b>2,354,703</b>	<b>2,284,685</b>	<b>877,328</b>	<b>1,013,130</b>
Administration Expenses			(628,462)	(498,945)	(384,863)	(314,629)	(227,425)	(220,758)
Distribution Expenses			(762,540)	(624,878)	(621,829)	(658,943)	(381,052)	(443,250)
Interest Expenses and Similar Charges		11	(524,441)	(476,836)	(684,802)	(604,358)	(105,014)	(162,325)
Other Income		12	97,826	62,410	34,501	70,126	30,914	9,586
Profit on Ordinary Activities before Taxation		13	<b>988,761</b>	<b>889,950</b>	<b>697,710</b>	<b>776,881</b>	<b>194,751</b>	<b>196,383</b>
Taxation		14	(73,498)	(73,498)	(61,366)	(54,324)	(27,590)	(25,891)
<b>Profit on Ordinary Activities after Tax transferred to revenue reserve</b>			<b>915,263</b>	<b>816,452</b>	<b>636,344</b>	<b>722,557</b>	<b>167,161</b>	<b>170,492</b>
*Earnings per 50k share			kobo 45.76	kobo 40.82	kobo 31.82	kobo 36.13	kobo 8.36	kobo 8.52

\*\*The first financial statements of the company's 100% owned subsidiary (Honeywell Superfine Limited) which has been consolidated with its results, covered a period of 15.5months ended 31st March, 2008.

\*Earnings Per Share have been based on the 2,000,000,000 Ordinary Shares of 50k each. in issue as at the year end date.

## FINANCIAL INFORMATION

### Statement of Cash Flows

for the year ended	31ST MARCH		2008 =N='000 The Group	2008 =N='000 The Company	2007 =N='000 The Company	2006 =N='000 The Company	2005 =N='000 The Company	2004 =N='000 The Company
		NOTES						
Cash Flow from Operating Activities before Working Capital Changes	15.1		1,300,781	1,902,760	1,916,656	1,800,573	486,978	531,109
Working Capital Changes	15.2		412,935	1,138,506	(170,850)	785,374	379,396	(811,229)
Tax Paid	14.2		(61,366)	(61,366)	(54,324)	(27,589)	(25,891)	(29,119)
<b>Net Cash flow from Operating Activities</b>			<b>1,652,350</b>	<b>2,979,900</b>	<b>1,691,482</b>	<b>2,558,358</b>	<b>840,483</b>	<b>(309,239)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
Purchase of Fixed Assets			(5,847,440)	(1,277,287)	(255,367)	(5,100,545)	(3,818,940)	(990,034)
Proceeds from Sale of Fixed Assets			10,484	8,378	4,165	350	575	-
Long-term Investment			-	(1,199,998)	-	-	-	-
<b>Net Cash Flow from Investing Activities</b>			<b>(5,836,956)</b>	<b>(2,468,907)</b>	<b>(251,202)</b>	<b>(5,100,195)</b>	<b>(3,818,365)</b>	<b>(990,034)</b>
Cash Flow from Operating and Investing Activities			(4,184,606)	510,993	1,440,280	(2,541,837)	(2,977,882)	(1,299,273)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
Interest Paid			(524,441)	(476,836)	(684,802)	(604,358)	(105,014)	(162,325)
Loan Receipt/(Repaid)			2,597,464	-	(3,367,964)	2,821,761	1,433,738	518,004
Deposit for Shares			669,154	342,181	-	-	-	-
Interest Received			1,232	-	-	-	-	-
			(1,441,197)	376,338	(2,612,486)	(324,434)	(1,649,158)	(943,594)
Cash and its equivalent at 1st April			(5,706,015)	(5,706,015)	(3,093,529)	(2,769,095)	(1,119,937)	(176,343)
Cash and its equivalent at 31st March	15		<b>(7,147,212)</b>	<b>(5,329,677)</b>	<b>(5,706,015)</b>	<b>(3,093,529)</b>	<b>(2,769,095)</b>	<b>(1,119,937)</b>

## FINANCIAL INFORMATION

### Notes to the Consolidated Financial Statements for Five Years Ended March 31, 2008

for the year ended	31ST MARCH	2008	2008	2007	2006	2005	2004
NOTE 1	TANGIBLE ASSETS	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
		The Group	The Company	The Company	The Company	The Company	The Company
<b>COST</b>							
	Building	4,240,164	2,953,346	2,938,319	2,899,889	680,391	674,414
	Building in Progress	4,050,147	1,290,910	262,591	110,084	4,420,197	784,510
	Plant and Machinery	4,678,040	4,341,045	4,183,821	4,177,280	1,359,638	1,217,745
	Uncommissioned Plant & Machinery*	25,174	25,174	25,174	25,174	25,174	25,174
	Tools	23,236	19,069	8,632	7,289	6,882	5,751
	Computer Equipment	85,312	70,850	-	-	-	-
	Office/Home Equipment	170,230	127,791	185,544	160,953	137,106	127,352
	Office/Home Furniture & Fittings	36,777	31,504	31,279	24,344	18,846	18,507
	Motor Vehicles	263,203	144,991	119,973	140,397	111,053	88,167
		<b>13,572,283</b>	<b>9,004,680</b>	<b>7,755,333</b>	<b>7,545,410</b>	<b>6,759,287</b>	<b>2,941,620</b>
<b>DEPRECIATION</b>							
	Building	230,241	200,404	145,202	90,137	51,478	41,673
	Building in Progress	-	-	-	-	-	-
	Plant and Machinery	1,748,028	1,707,960	1,294,866	877,370	551,824	420,093
	Uncommissioned Plant and Machinery	15,105	15,105	10,070	5,035	-	-
	Tools	12,907	11,210	7,266	6,597	5,284	4,332
	Computer Equipment	50,480	44,949	-	-	-	-
	Office/Home Equipment	120,928	110,344	134,727	111,078	88,735	67,280
	Office/Home Furniture & Fittings	25,263	24,016	21,053	18,075	14,722	11,467
	Motor Vehicles	127,448	98,337	82,729	93,291	71,941	52,624
		<b>2,330,400</b>	<b>2,212,325</b>	<b>1,695,913</b>	<b>1,201,583</b>	<b>783,984</b>	<b>597,469</b>
<b>NET BOOK VALUE</b>							
	Building	4,009,923	2,752,942	2,793,117	2,809,752	628,913	632,741
	Building in Progress	4,050,147	1,290,910	262,591	110,084	4,420,197	784,510
	Plant and Machinery	2,930,012	2,633,085	2,888,955	3,299,910	807,814	797,652
	Uncommissioned Plant and Machinery	10,069	10,069	15,104	20,139	25,174	25,174
	Tools	10,329	7,859	1,366	692	1,598	1,419
	Computer Equipment	34,832	25,901	-	-	-	-
	Office/Home Equipment	49,302	17,447	50,817	49,875	48,371	60,072
	Office/Home Furniture & Fittings	11,514	7,488	10,226	6,269	4,124	7,040
	Motor Vehicles	135,755	46,654	37,244	47,106	39,112	35,543
		<b>11,241,883</b>	<b>6,792,355</b>	<b>6,059,420</b>	<b>6,343,827</b>	<b>5,975,303</b>	<b>2,344,151</b>

\*corn milling plant not yet put into production.

## FINANCIAL INFORMATION

for the year ended 31ST MARCH

	2,008 =N='000 The Group	2,008 =N='000 The Company	2,007 =N='000 The Company	2,006 =N='000 The Company	2,005 =N='000 The Company	2,004 =N='000 The Company
<b>NOTE 2 LONG TERM INVESTMENT</b>						
- UNQUOTED						
Honeywell Superfine Foods Limited	-	1,199,998	-	-	-	-

### NOTE 3 DEFERRED COSTS

This relates to amount spent on various on-going capital projects.

	865,682	-	-	-	-	-
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### NOTE 4 STOCKS

Raw Materials and Consumables	1,464,539	1,257,617	1,142,475	1,591,202	503,877	648,606
Goods-in-Transit	3,427,481	3,419,709	729,991	755,883	777,242	953,708
Finished Goods	266,425	257,131	204,763	121,533	55,825	52,563
Work-in-Progress	5,986	-	-	-	-	-
	<b>5,164,431</b>	<b>4,934,457</b>	<b>2,077,229</b>	<b>2,468,618</b>	<b>1,336,944</b>	<b>1,654,877</b>

### NOTE 5 DEBTORS AND PREPAYMENTS

Trade Debtors	493,707	492,594	760,631	563,417	473,864	397,339
Other Debtors	623,852	1,009,597	1,541,714	1,372,454	1,371,537	699,039
Prepayments	183,264	175,446	116,668	53,068	42,832	34,433
	<b>1,300,823</b>	<b>1,677,637</b>	<b>2,419,013</b>	<b>1,988,939</b>	<b>1,888,233</b>	<b>1,130,811</b>

### NOTE 6 CREDITORS

Amount falling due within One Year:

Trade Creditors	225,036	108,405	93,492	71,470	115,914	73,920
Bank Overdraft	2,013,692	401,493	193,558	3,504,128	2,959,067	1,172,846
Taxation (Note 13)	73,498	73,498	61,366	54,324	27,590	25,891
Customers Deposits	236,009	236,009	76,097	81,155	53,224	27,521
Sundry Creditors and Accruals	3,124,718	4,113,760	1,034,227	1,184,820	1,016,839	215,183
Bank Loan (Short Term Facility)	5,118,698	5,118,698	5,876,590	2,853,004	1,558,515	1,608,983
Bank Loan (Long Term Facility)	2,597,464	-	-	-	-	-
Equipment Lease Facility	222,785	-	-	-	-	-
	<b>13,611,900</b>	<b>10,051,863</b>	<b>7,335,330</b>	<b>7,748,901</b>	<b>5,731,149</b>	<b>3,124,344</b>

## FINANCIAL INFORMATION

for the year ended 31ST MARCH

	2,008 =N='000 The Group	2,008 =N='000 The Company	2,007 =N='000 The Company	2,006 =N='000 The Company	2,005 =N='000 The Company	2,004 =N='000 The Company
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### NOTE 7 SHARE CAPITAL

#### Authorised

Ordinary Shares of 50k each**	4,000,000	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000
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#### Issued and Fully Paid

2,000,000,000 Ordinary Shares of 50k each	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
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\*\*Shares were sub-divided in March 2008 from  
=N=1 to 50k per share.

### NOTE 8

#### CAPITAL CONTRIBUTION/DEPOSIT FOR SHARES

Balance at 1st April,	210,436	210,436	210,436	210,436	210,436	210,436
Deposit in the Year	669,154	342,181	-	-	-	-
Balance at 31st March,	<b>879,590</b>	<b>552,617</b>	<b>210,436</b>	<b>210,436</b>	<b>210,436</b>	<b>210,436</b>

### NOTE 9

#### REVENUE RESERVE

Profit brought forward	2,374,029	2,374,029	1,737,685	1,015,128	847,968	677,475
Retained Profit for the year after taxation	915,263	816,452	636,344	722,557	167,161	170,492
	<b>3,289,292</b>	<b>3,190,481</b>	<b>2,374,029</b>	<b>1,737,685</b>	<b>1,015,129</b>	<b>847,967</b>

### NOTE 10

#### TURNOVER

Flour, Semolina and O!nstant Noodles	<b>20,904,144</b>	<b>18,773,815</b>	<b>15,599,805</b>	<b>13,146,833</b>	<b>7,790,058</b>	<b>7,317,620</b>
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### NOTE 11

#### INTEREST EXPENSES AND SIMILAR CHARGES:

Interest expenses and similar charges	<b>524,441</b>	<b>476,836</b>	<b>684,802</b>	<b>604,358</b>	<b>105,014</b>	<b>162,325</b>
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## FINANCIAL INFORMATION

for the year ended	31ST MARCH	2,008	2,008	2,007	2,006	2,005	2,004
		=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
		The Group	The Company	The Company	The Company	The Company	The Company

### NOTE 12

#### OTHER INCOME:

Raw Wheat/Flour	-	-	-	-	50,939	-	-
Stale Wheat/Flour	9,159	9,159	10,229	-	-	-	-
Scrap/Waste	9,789	-	2,936	-	5,630	-	-
Profit/(Loss) on Sale of Fixed Assets	7,455	7,455	(2,752)	-	(217)	-	-
Hire of Storage Facilities	37,018	37,018	-	-	-	-	-
Sundries	14,061	8,778	24,088	-	3,048	30,914	9,586
Interest Received	1,232	-	-	-	10,726	-	-
Commission, Refund and Insurance Claims	19,112	-	-	-	-	-	-
	<b>97,826</b>	<b>62,410</b>	<b>34,501</b>	<b>70,126</b>	<b>30,914</b>	<b>30,914</b>	<b>9,586</b>

### NOTE 13

#### PROFIT BEFORE TAXATION

The Trading Profit is arrived at after charging:

Depreciation	661,504	543,429	531,393	419,117	187,553	172,401
Auditors' Remuneration	5,500	3,500	2,500	2,500	1,600	1,600
Directors' Emoluments:						
Fees	800	800	800	300	75	75
Others	19,065	19,065	12,575	800	350	350
Interest on Loans and Overdrafts	524,441	476,836	684,802	604,358	105,014	159,131

for the year ended 31ST MARCH

2,008	2,008	2,007	2,006	2,005	2,004
=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
The Group	The Company	The Company	The Company	The Company	The Company

### NOTE 14

#### TAXATION

.1 Profit and Loss Account:

i) Provision for Income Tax based on result for the year

44,792	44,792	36,676	30,393	19,951	18,516
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ii) Education Tax Provision

28,706	28,706	24,690	23,931	7,639	7,375
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<b>73,498</b>	<b>73,498</b>	<b>61,366</b>	<b>54,324</b>	<b>27,590</b>	<b>25,891</b>
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.2 Balance Sheet

Balance brought forward

61,366	61,366	54,324	27,590	25,891	29,119
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Charge for the Year

73,498	73,498	61,366	54,324	27,590	25,891
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134,864	134,864	115,690	81,914	53,481	55,010
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Payment during the Year

(61,366)	(61,366)	(54,324)	(27,590)	(25,891)	(29,119)
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<b>73,498</b>	<b>73,498</b>	<b>61,366</b>	<b>54,324</b>	<b>27,590</b>	<b>25,891</b>
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.3 The charge for taxation is based on the provisions of the Companies Income Tax Act (LFN CAP 60) as amended to date while education tax charge is based on Education Tax Act No. 7 CAP E4 LFN 2004.

.4 Deferred Taxation

Deferred Tax is not provided for in the financial statements because the directors are of the opinion that the timing differences would not materialise in the foreseeable future: Thus the accumulated deferred tax amounting to =N=569,026,641 as at 31st March, 2008 was not provided for in these financial statements.

## FINANCIAL INFORMATION

for the year ended 31ST MARCH

	2,008 =N='000	2,008 =N='000	2,007 =N='000	2,006 =N='000	2,005 =N='000	2,004 =N='000
	The Group	The Company	The Company	The Company	The Company	The Company

### NOTE 15 CASH FLOWS RECONCILIATION

.1 Reconciliation of Net Profit + Operating Profit before Working Capital Changes:

Net Profit after Taxation	915,263	816,452	636,343	722,556	167,161	170,492
Taxation	73,498	73,498	61,366	54,324	27,590	25,891
	<b>988,761</b>	<b>889,950</b>	<b>697,709</b>	<b>776,880</b>	<b>194,751</b>	<b>196,383</b>

Adjustments For:

Depreciation	661,610	543,429	531,393	419,118	187,553	172,401
(Profit)/Loss on assets disposed	(7,117)	(7,455)	2,752	217	(340)	-
Interest expenses and similar charges	523,209	476,836	684,802	604,358	105,014	162,325
Pre-operating Cost	(865,682)	-	-	-	-	-
Operating Profit before Working Capital Changes	<b>1,300,781</b>	<b>1,902,760</b>	<b>1,916,656</b>	<b>1,800,573</b>	<b>486,978</b>	<b>531,109</b>

.2 Working Capital Changes

(increase)/Decrease in Stock	(3,087,202)	(2,857,228)	391,389	(1,131,673)	317,933	(676,465)
(Increase)/Decrease in debtors	1,118,190	741,376	(430,074)	(100,706)	(757,422)	(119,505)
(Increase)/Decrease in creditors	2,381,947	3,254,358	(132,165)	2,017,753	818,885	(15,259)
	<b>412,935</b>	<b>1,138,506</b>	<b>(170,850)</b>	<b>785,374</b>	<b>379,396</b>	<b>(811,229)</b>

### NOTE 16 CASH AND CASH EQUIVALENTS

Cash and its equivalent comprises:

Cash at Bank and in Hand	207,963	190,514	364,133	410,599	189,972	52,908
Bank Overdraft	(2,013,692)	(401,493)	(193,558)	(375,214)	(2,959,067)	(1,172,845)
Bank Loan/Short Term Facility	(5,118,698)	(5,118,698)	(5,876,590)	(3,128,914)	-	-
Equipment Lease Facility	(222,785)	-	-	-	-	-
	<b>(7,147,212)</b>	<b>(5,329,677)</b>	<b>(5,706,015)</b>	<b>(3,093,529)</b>	<b>(2,769,095)</b>	<b>(1,119,937)</b>

## FINANCIAL INFORMATION

for the year ended 31ST MARCH

	2,008 =N='000	2,008 =N='000	2,007 =N='000	2,006 =N='000	2,005 =N='000	2,004 =N='000
	The Group	The Company	The Company	The Company	The Company	The Company

### NOTE 15 CASH FLOWS RECONCILIATION

.1 Reconciliation of Net Profit + Operating Profit before Working Capital Changes:

Net Profit after Taxation	915,263	816,452	636,343	722,556	167,161	170,492
Taxation	73,498	73,498	61,366	54,324	27,590	25,891
	<b>988,761</b>	<b>889,950</b>	<b>697,709</b>	<b>776,880</b>	<b>194,751</b>	<b>196,383</b>

Adjustments For:

Depreciation	661,610	543,429	531,393	419,118	187,553	172,401
(Profit)/Loss on assets disposed	(7,117)	(7,455)	2,752	217	(340)	-
Interest expenses and similar charges	523,209	476,836	684,802	604,358	105,014	162,325
Pre-operating Cost	(865,682)	-	-	-	-	-
Operating Profit before Working Capital Changes	<b>1,300,781</b>	<b>1,902,760</b>	<b>1,916,656</b>	<b>1,800,573</b>	<b>486,978</b>	<b>531,109</b>

.2 Working Capital Changes

(increase)/Decrease in Stock	(3,087,202)	(2,857,228)	391,389	(1,131,673)	317,933	(676,465)
(Increase)/Decrease in debtors	1,118,190	741,376	(430,074)	(100,706)	(757,422)	(119,505)
(Increase)/Decrease in creditors	2,381,947	3,254,358	(132,165)	2,017,753	818,885	(15,259)
	<b>412,935</b>	<b>1,138,506</b>	<b>(170,850)</b>	<b>785,374</b>	<b>379,396</b>	<b>(811,229)</b>

### NOTE 16 CASH AND CASH EQUIVALENTS

Cash and its equivalent comprises:

Cash at Bank and in Hand	207,963	190,514	364,133	410,599	189,972	52,908
Bank Overdraft	(2,013,692)	(401,493)	(193,558)	(375,214)	(2,959,067)	(1,172,845)
Bank Loan/Short Term Facility	(5,118,698)	(5,118,698)	(5,876,590)	(3,128,914)	-	-
Equipment Lease Facility	(222,785)	-	-	-	-	-
	<b>(7,147,212)</b>	<b>(5,329,677)</b>	<b>(5,706,015)</b>	<b>(3,093,529)</b>	<b>(2,769,095)</b>	<b>(1,119,937)</b>

## STATUTORY & GENERAL INFORMATION

### Incorporation and Share Capital History

Gateway Honeywell Flour Mills Limited was established on 9 July 1985. A change in the Company's ownership structure led to a change in name to Honeywell Flour Mills Limited (HFML) in June 1995. The Company was duly incorporated on 9 January 1986 with a nominal share capital of N10 million divided into 10 million ordinary shares of N1 each. The Company's authorized and issued share capital was increased to N1 billion made up of 1,000,000,000 shares of N1 each in 2003.

Year	Authorized (N'000)		Issued & Fully Paid-up (N'000)		Consideration
	Increase	Cumulative	Increase	Cumulative	
1990	-	10,000	-	2	Cash @ N1 each
1991	-	10,000	-	2	Cash @ N1 each
1992	-	10,000	-	2	Cash @ N1 each
1993	-	10,000	-	2	Cash @ N1 each
1994	-	10,000	-	2	Cash @ N1 each
1995	40,000	50,000	49,998	50,000	Cash @ N1 each
2001	160,000	210,000	160,000	210,000	Cash @ N1 each
2003	790,000	1,000,000	790,000	1,000,000	Cash @ N1 each
2008	1,000,000	1,000,000	1,000,000	2,000,000	Acquisition of Honeywell Superfine Foods Limited
2008	-	2,000,000	-	2,000,000	Share Split of N1 to N0.50
2008	2,000,000	4,000,000	1,500,000	3,500,000	Bonus Issue of 3 for 4 shares

### Shareholding Structure–Pre–Offer

As at the date of this Prospectus, the 7,000,000,000 ordinary shares of 50 Kobo each in the issued share capital of the company were beneficially held as follows:

Shareholder	No of Ordinary Shares Held	% holding
Oba Otudeko	1	0%
Siloam Global Services Limited	6,999,999,999	100%
<b>Total</b>	<b>7,000,000,000</b>	<b>100%</b>

Except as stated above, no shareholder holds more than 5% of the Issued share capital of the Company

### Shareholding Structure: Post– Offer

Shareholder	No of Ordinary Shares Held	% holding
Oba Otudeko	1	0%
Siloam Global Services Limited	5,747,058,822	72%
Other investors	2,194,117,648	28%
<b>Total</b>	<b>7,941,176,471</b>	<b>100%</b>

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### Directors' Interests

As at the date of this Prospectus, direct and indirect interests of the Directors of HFM Plc in the issued share capital of the Company, as disclosed in the Register of Members and as notified by them for the purpose of Section 275 (1) of CAMA were as follows:

Director	Direct
Oba Otudeko*	1
Mr. Folaranmi Odunayo (Managing)	Nil
General Garba Duba (Non Executive)	Nil
Mr. Ambrose Feese (Non Executive)	Nil
Chief Kola Jamodu (Non Executive)	Nil
Mr. Siji Ijogun (Non Executive)	Nil
Mr. Dave O Bray (Non Executive)	Nil
Mrs. Adebisi Otudeko (Non Executive)*	Nil
Mr. Obafemi Otudeko (Non Executive)*	Nil
Dr Nino Ozara (Executive)	Nil

\*Mr. Oba Otudeko, Mrs. Adebisi Otudeko (Non Executive) and Mr. Obafemi Otudeko (Non Executive) are shareholders in Siloam Global Services Limited.

### Indebtedness

As at the date of this Prospectus, the company has bank facilities in the ordinary course of business amounting to ₦9.72 billion.

### Subsidiaries and Associated Companies

As at the date of this Prospectus, Honeywell Super Fine Foods is the only Subsidiary of the Honeywell Flour Mills Plc

### Extract from the Memorandum and Articles of Association

#### Memorandum of Association

- To carry on the business of millers of flour, oil, cake, corn, grain and seed merchants, flax and cotton, flour merchant, bakers, biscuit makers, manufacturers of cattle food and feeding and fattening preparations of every description.
- To carry on the business of makers and manufacturers of artificial manures and fertilizers of every description, seed crushers and manufacturers of other cakes, oil extractors by crushing, chemical or other processes.
- To engage in the business as manufacturers of flour milling, oil milling, grain handling, storage, transportation and processing of finished food products.
- To engage in the business of agricultural food production, commercial or otherwise of agro based foods, farming of every description and to engage in fishing industry canning, fishing trawlers both in the lagoon and other territorial waters of the Federal Republic of Nigeria.
- To establish industries for the production and manufacture of all agricultural products both for immediate consumer goods or otherwise, also engage in the business of poultry farming, animal husbandry, dairymen and the manufacture and sale by wholesale or retail of all agricultural products, fishing industry, poultry, animal husbandry which are produced or capable of being produced by the Company.
- To establish plantations, farms, and engage in the business of arable and fruit farmers, millers of every kind and description and manufacturers of cereal products and the sale by wholesale or retail of flour, fruit and all cereal or farm products.
- To engage in the business of timber forestry and allied products, wood, logs, livestock feeds mill, food canning and processing of every description, construction of slaughterhouses, cold storage premises, warehouses, also as agricultural consultants, importer of raw materials, essential chemicals and additives, suppliers of agricultural products.

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- h) To carry on the business as importers, exporters, commission agent, manufacturers, representative for all agricultural equipment and other products.
- i) To acquire by purchase or otherwise estancias, ranches, and sheep farms, and to carry on the trades or business of cattle rearers and sheep farmers, fellmongering, tanning and warehousing generally, preserved meat manufacturers, dealers in hides, fat, tallow, grease and other animal products.
- j) To carry on the business of planters and cultivators of rubber plants, any other plants producing anything of a similar character.
- k) To carry on business as timber merchants, saw mill proprietors and timber growers, and to buy, sell, grow, prepare for market, manipulate, import, and export wood of all kinds, and to manufacture and deal in articles of all kinds in the manufacture of which timber or wood is used, and to carry on business as ship owners and carriers by land and sea, and, so far as may be deemed expedient, the business of general merchants, and to buy, clear, plant and work timber estates.
- l) To carry on any other businesses which may seem to the company capable of being conveniently carried on in connection with any of the above, or calculated directly or indirectly to render profitable or enhance the value of the Company's property or rights for the time being.
- m) To carry on, transact and engage in any other business whether manufacturing or otherwise, which may seem to the company capable of being carried on with advantage or calculated directly or indirectly to enhance the value of render profitable any of the Company's property or right for the time being.
- n) To purchase or otherwise acquire and undertake all or any part of the business property, goodwill and liabilities of any person, firm or company carrying on any business which the Company is authorised or enter into or carry on, or possessed, property suitable for the purposes of this Company or to acquire the control of or the shares of any part of the shares of any such company or any interest therein.
- o) To enter into arrangement or contract with any Government, municipalities, or other corporation or other public boards or firms or person that may seem conducive to the Company's objects or any of them and to obtain any contract, rights, privileges and concessions which the Company may think desirable to obtain.
- p) To amalgamate with or enter into partnership or into any arrangement for sharing profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise, with any person, firm or company carrying on or engaged in or about to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly to benefit the Company, and to take or otherwise acquire and hold shares, securities or obligations in any such company, and to sell hold or re-issue, with or without guarantee or otherwise deal with the same.
- q) To adopt such means of making known to the public the activities and business of the Company and to carry on the advertisement of the business of the Company.
- r) To borrow or raise or secure the payment of money for the purpose of the Company's business and to mortgage or charge the undertaking and all or any of the Company's property or assets present or future including its uncalled capital and to issue shares at par, at a premium or discount or for such consideration as may be deem fit.
- s) To invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may from time to time be determined.
- t) To promote or assist in the promotion of any other company or companies for the purpose of acquiring or undertaking all or any of the assets and liabilities of the Company or for any other purpose which may seem directly or indirectly calculated to benefit the Company or to advance the objects or interest thereof, or to take and otherwise acquire and hold or dispose of shares, stock debentures or other securities of any such company or companies and to lend money to and guarantee the payment of the dividends, interest or capital of any shares, stocks, debentures or other securities issued by or other obligations of any company or companies.
- u) To draw, make, accept, endorse, execute, issue, purchase, lend money upon, and discount, promissory notes, bills of exchange, charter-parties, bills of lading, warrants and other negotiable or transferable instruments.
- v) To insure against losses, damages, risks, accidents, fire, and liabilities of all kinds either by setting apart funds of the Company or be effecting such insurances and in the latter case pay insurance premium thereon.
- w) To sell, exchange, or dispose of any property of the Company or any part thereof for such consideration as the Company may deem fit and to distribute among the members in specie by way of dividend or bonus or upon a return of capital any property of the Company or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law.
- x) To establish and support or aid in the establishment and support of, associations, institutions, funds, trusts, and conveniences calculated to benefit any of the employees (including directors) or ex-employees (including ex-directors)

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of the Company or persons having dealing with the Company or the dependants or connections of these classes of person, and to grant pensions and allowances, and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for public general or useful objects or for any purpose which may be considered likely directly or indirectly to advance the objects of the Company or the interest of its members, and to make gift and bonuses to persons in the employment of the Company.

- y) To pay all expenses incidental to the formation or promotion of this or any other company and to remunerate any person or company for professional services rendered or to be rendered in assisting in or about the promotion, formation or business of the Company or any other company promoted wholly or in part by this Company.
- z) To carry on any business whatsoever, wheresoever which may in the opinion of the Company be conveniently carried on in connection with the business which the Company is authorised to carry on or calculated directly or indirectly to enhance the value of or, render profitable any of the Company's properties, rights or interest.
- aa) To hold in the name of others, any property, which the Company is authorised to acquire, and to do all or any of the above things in any part of Nigeria and either as principal, agent, trustees, contractor or otherwise, and by agents, trustees, sub- contactors or otherwise, and either alone or in conjunction with others.
- bb) To do all such other things as are incidental or connected with any of the above objects or conducive to the attainment thereof or otherwise likely in any respect to be advantageous to the Company.

The objects set forth in any sub-clause of this clause shall not, except when the context expressly so require, be in any wise limited or restricted by reference to or inference from the terms of any other sub-clauses or the objects therein so specified, so shall be the powers thereby conferred be deemed subsidiary or auxiliary merely to the object mentioned in the first sub-clause of this clause, but the Company shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of Nigeria or elsewhere notwithstanding that the business undertaking, property or acts proposed to be transacted, acquired, dealt with, or performed do not fall within the objects of the first sub-clause of this clause.

The liability of the members is limited.

### Articles of Association of the Company

#### ALTERATION OF CAPITAL

- 36. The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.
- 37. Subject to any directions to the contrary, that may be given by the Company in general meeting, all new shares before issue be offered to the existing members in proportion as nearly as circumstances admit to the amount of their respective share holdings. The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer if not accepted will be deemed to be declined and after the expiration of that time or in or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think most beneficial to the Company. They may likewise so dispose of any new shares, which by reason of the ratio, which the new shares bear to the shares held by the existing members, cannot in the opinion of the directors be conveniently offered under this article.
- 38. The Company may from time to time by ordinary resolution effect an alteration of its share capital in any of the ways set out in section 100 of the Act, as follows:
  - (a) Consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares;
  - (b) Convert all or any of its paid-up shares into stock, and re-convert that stock into paid-up shares of any denomination, provided that such of these articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder";
  - (c) Sub-divide its existing shares or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject nevertheless, to the provisions of section 100(1)(c) of the Act; and
  - (d) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

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39. Subject to the provisions of the Act on reduction of capital, the Company may, whenever it considers it expedient to do so, by special resolution reduce its share capital, any capital redemption fund or any share premium account.

### TRANSFER OF SHARES

20. Any share in the Company shall be transferable by written instrument in the common form signed by both the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.
21. Every instrument of transfer shall be accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.
22. No fee shall be payable in respect of any transfer lodged for registration.
23. The directors may decline to register the transfer of a share not being fully paid for and they may also decline to register the transfer of a share on which the Company has a lien.
24. If the directors refuse to register a transfer they shall within one month after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
25. The registration of transfers may be suspended at such times and for such periods as the directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty days in any year.

### TRANSMISSION OF SHARES

26. The personal representatives of a deceased sole holder of a share shall be the only person recognized by the Company as having any title to the share. In the case of a share registered in the names of two or more holders, the survivor, or survivors, or the personal representatives of the deceased, shall be the only persons recognized by the Company as having any title to the share; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been held jointly by him with other persons.
27. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member shall:
- (a) upon such evidence being produced as may from time to time be required by the directors, have the right either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made, but the directors shall, in either case, have same right to decline or suspend the registration as they would have had in the case of transfer of the share by the deceased or bankrupt person before the death or bankruptcy.
  - (b) be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any rights conferred by the membership in relation to meetings of the Company. Provided that the directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and the directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirement of the notices have been complied with.
28. If the person so becoming entitled, shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his selection by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfers as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.

### NOTICE OF GENERAL MEETINGS

40. An Annual General Meeting and a meeting called for the passing of a special resolution shall be called by twenty - one days notice in writing at the least and a meeting of the Company other than an annual general meeting, or a meeting for the passing of a special resolution shall be called by fourteen days notice in writing at the least. The notice shall be

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exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and hour of the meeting and, in case of special business, the general nature of that business shall be given, in a manner if any, as may be prescribed by the Company in general meeting to such persons as are, under regulations of the Company, entitled to receive such notices from the Company.

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this regulation, be deemed to have been duly called if it so agreed:-

- (a) In the case of a meeting called as the Annual General Meeting, by all the members entitled to attend and vote thereat; and
- (b) In the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

44. The accidental omission to give notice of a meeting to or non receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings at that meeting.

45.

### DIRECTORS

49. The first directors of the Company shall be appointed by the subscribers to the Memorandum of Association. The Company shall in general meeting have the power to re-elect directors or appoint new directors.

50. Unless and until otherwise determined by the Company in general meeting, the number of directors shall not be less than five or more than fifteen.

51. The Company in general meeting shall from time to time direct such sums, as may be thought fit to be paid as and by way of remuneration to the directors and any such sum shall be divided amongst them as they may agree or failing agreement, equally. Such remuneration shall be deemed to accrue from day to day. The directors shall also be entitled to be repaid all traveling, hotel and other expenses reasonably incurred by them respectively in the performance of their duties as directors or in connection with the business of the Company.

52. A director of the Company may be or become a director or other officer of or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in such other company, unless the Company otherwise directs.

53. It shall not be necessary for any director of the Company to acquire or hold any share qualification, but a director shall be entitled to receive notice, and attend, all general meetings.

### MANAGING DIRECTOR

54. The directors may from time to time appoint one or more of their body to the office of Managing Director or may appoint any person as Manager for such period and on terms as they may think fit, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. The appointment of a director so appointed shall be subject to determination if he ceases for any cause to be a director or the Company in general meeting resolves that his tenure in the office of Managing Director or Manager be determined.

55. A Managing Director shall receive such remuneration (whether by way of salary or commission or participation in profits, or partly in one way and partly in another) as the directors may determine.

56. The directors may entrust to and confer upon a Managing Director any of the powers exercisable by them (other than the power to allot shares and make calls or to borrow except in the ordinary course of business) upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and from time to time revoke, withdraw, alter or vary all or any of such powers.

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### POWER AND DUTIES OF DIRECTORS

57. The directors from time, and at any time may provide through local boards, attorneys or agencies for the management of the affairs of the Company outside Nigeria, and may appoint any persons to be members of such local boards or as attorneys or agents and may remove any persons so appointed and appoint others in their place, and may fix their remuneration.
58. The directors, from time to time, and at any time may delegate to any such local boards, attorney or agents any of the powers, authorities and discretions for the time being vested in the directors, (other than the power to make calls, forfeit shares, borrow money or issue debentures) and any such delegation may be made on such terms and subject to such conditions as the directors may think fit, and may include a power to sub-delegate and the directors may at any time annul or vary the delegation, but no person dealing in good faith and without notice of such annulment or variation shall be affected thereby.
59. The Company may exercise the powers conferred by section 75 of the Act with regard to having an official seal for use abroad, and such power shall be vested in the directors.
60. A director may hold any other office or place of profit under the Company (except that of auditors) in conjunction with his office of director for such period and upon such terms (as to remuneration, tenure of office and otherwise) as may be determined by the board of directors; and no director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any director do contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established.
61. A director notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he may vote on such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.
62. Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing herein contained shall authorise a director or his firm to act as auditor to the Company.
63. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn accepted, endorsed, or otherwise executed as the case may be, in such manner as the directors shall from time to time by resolution determine.
64. The directors shall cause minutes to be made in the books provided for the purpose: –
- (a) of all appointments of officers made by the directors;
  - (b) of the names of the directors present at each meeting of the directors and of any committee of the directors; and
  - (c) of all resolutions and proceedings of the Company, and of the directors, and of committees of directors and every directors shall at any meeting of directors or committee of directors sign his name in a book to be kept for that purpose.
65. The directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
66. Any director (other than a Managing Director in respect of his office as such Managing Director) may at any time appoint any other director or appoint any other person approved by a majority of the directors for the time being to be his alternate at any time, remove any alternate director appointed by him, and (subject to such approval as aforesaid) appoint another in his place. An alternate director shall not be entitled to receive any remuneration from the Company

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nor shall it be necessary for him to acquire or hold any qualification share, but he shall be entitled (subject to his giving to the Company an address within Nigeria at which notices may be served on him) to receive notice of meetings of the directors and to attend and vote as a director at any such meetings at which the director who appointed him is not present and at such meetings to exercise all powers, duties and authorities of the director appointing him. A director who is also an alternate director shall be entitled in addition to his vote to cast a separate vote on behalf of the director he is representing. An alternate director, if his appointor ceases for any reason to be a director, shall ipso facto cease to be an alternate director. Every person acting as an alternate director shall be an officer of the Company and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be an agent of or for the director appointing him. All appointments and removals of an alternate director by any director pursuant to this Article shall be in writing under the hand of the director making the same and shall be sent to or left at the registered office of the Company.

### INDEMNITY

125. Every director, managing director, agent, auditor, secretary and other officer for the time being of the Company shall in the execution of his duties be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted.

### **Claims and Litigation**

The Company in its ordinary course of business is presently involved in Three [3] cases. Two of the cases were instituted against HFM Plc while the remaining one was brought by HFM Plc. The amount claimed in the cases instituted against HFM Plc is estimated at N121,847,400 (one hundred and twenty one million, eight hundred and forty seven thousand, four hundred naira) while the total amount claimed in the case instituted by HFM Plc is estimated at N180,000.00 (one hundred and eighty thousand Naira). It is however pertinent to note that the above figures are by no means conclusive of the potential liability of the claims instituted against HFM Plc.

It is the opinion of the Solicitors to the Offer that these cases are unlikely to succeed against HFM Plc and in the event that they succeed, the Directors of HFM Plc are of the opinion that none of the aforementioned cases is likely to have a material effect on HFM Plc or the Offer, and are not aware of any other pending and or threatened claims or litigation which may be material to the Offer.

### **Estimated Costs and Expenses of the Offer**

The Cost and expenses of making this Offer including the fees payable to the Securities and Exchange Commission, The Nigerian Stock Exchange, the Issuing Houses, Stockbrokers, Legal and Accountancy fees, Brokerage Commission, Publicity and Advertising expenses which are estimated at N318,105,281.6 representing 3.98% of the proceeds of the Offer and underwriting cost of 10% are payable by the Company.

### **Declarations**

Except as otherwise disclosed in the Prospectus:

- a) No share of the Company is under option or agreed conditionally or unconditionally to be put under option
- b) No commissions, brokerages or other special terms have been granted by the Company to any person in connection with the Offer or sale of any share of the Company
- c) Save as disclosed herein, the Directors of the Company have not been informed of any holding representing 5% or more of the issued share capital of the Company
- d) There are no founders', management or deferred shares or any options outstanding in the Company
- e) There are no material service agreements between the Company or any of its Directors and employees other than in the ordinary course of business
- f) There are no long-term service agreements between the Company or any of its Directors and employees other than in the ordinary course of business
- g) No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in the five years prior to the date of this Prospectus

Further declarations/information in respect of shareholders/key management staff

It is further declared that to the best of knowledge of Directors as at the March 31, 2008:

- (a) None of the above is under any bankruptcy or insolvency proceedings in any court of law.
- (b) None of them has been convicted in any criminal proceeding

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- (c) None of them is subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty.

### Material Contracts

- A Vending Agreement dated November 26, 2008 between the Company and Issuing Houses in which the Issuing Houses agreed to Offer for Sale 1,252,941,177 ordinary shares of 50kobo each and Offer for Subscription 941,176,471 ordinary shares of 50kobo each on behalf of the Company,
- An Underwriting Agreement dated November 26, 2008 between the Company and Issuing Houses in which the Underwriters agreed to jointly underwrite 81.34% of the Offer for Sale 1,252,941,177 ordinary shares of 50kobo each and Offer for Subscription 941,176,471 ordinary shares of 50kobo each on behalf of the Company on a Firm basis.
- A Joint Issuing House Agreement dated November 26, 2008 between the Issuing Houses.
- Technical Service/ Management Service Agreements dated April 01, 2008 between the company and Honeywell Group Ltd.

Other than as stated above, the company has not entered into any material contracts except in the ordinary course of business

### Mergers & Acquisition

As at the date of this Prospectus, the company has no plan of any merger and acquisition.

### Relationship between the Issuer, Issuing Houses and Other Advisers

As at the date of this Prospectus, the Chairman Mr. Oba Otudeko and Lt. General Garba Duba (rtd) has a relationship with First Bank of Nigeria Plc. Other than as stated above, there is no shareholding relationship between Honeywell Flour Mills Plc and its Advisers except in the ordinary course of business.

### Consents

The following have given and not withdrawn their written consents to the issue of this Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

Directors of the Company	Mr. Oba Otudeko (Chairman) Mr. Folaranmi Odunayo (Managing) General Garba Duba (rtd) (Non Executive) Mr. Ambrose Feese (Non Executive) Chief Kola Jamodu (Non Executive) Mr. Siji Ijogun (Non Executive) Mr. Dave O Bray (Non Executive) Mrs. Adebisi Otudeko (Non Executive) Mr. Obafemi Otudeko (Non Executive) Dr Nino Ozara (Executive)
Company Secretary	Mrs. Oluwayemisi Busari
Issuing Houses/Underwriters	FBN Capital Limited – (Lead) BGL Plc Bank PHB Plc Oceanic Capital Company Limited (Issuing House Only) UBA Capital (Africa) Limited
Auditors	Balogun Badejo & Co. (Polaris)
Reporting Accountants	Baker Tilly Nigeria. (Formerly Aneni Dairo & Co/ Oyelami. Soetan Adeleke & Co.)
Solicitors to the Company	S.P.A Ajibade & Co.
Solicitors to the Offer	Olaniwun Ajayi LP
Lead and Joint Stockbrokers to the Offer	FBN Securities Limited (Lead) BGL Securities Limited (Co-Lead) Adamawa Securities Limited Anchoria Investment & Securities Ltd APT Securities & Funds Limited Capital Assets Limited Chapel Hill Denham Management Limited

## STATUTORY & GENERAL INFORMATION

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	Compass Investments and Securities Limited De-Canon Investments Limited EDC Securities Limited Finmal Finance Services Limited FSDH Securities Limited Futureview Financial Services Limited Global Assets Management (Nig) Limited GTI Capital Limited IBTC Asset Management Limited Kinley Securities Limited LB Securities Limited Marina Securities Limited Pilot Securities Limited Tiddo Securities Limited Tower Assets Management Limited UBA Stockbrokers Limited UNEX Capital Limited
Registrars to the Offer	First Registrars Nigeria Limited
Receiving Bankers	First Bank of Nigeria Plc Oceanic Bank International Plc (Underwriter)

### Documents Available for Inspection

Copies of the following documents may be inspected at FBN Capital Limited, 16 Keffi Street, South West Ikoyi, Lagos and BGL Plc 12A Catholic Mission Street, Lagos Island, Lagos or the offices of the other Issuing Houses referred to on pages 3 and 10 during normal business hours on any weekday except public holidays from December 03, 2008 until December 31, 2008

- Certificate of Incorporation of the Company.
- Memorandum and Articles of Association of the Company.
- The material contracts referred to above.
- Reporting Accountants' Report on the audited accounts of the Company for the five years ended March 31, 2008 i.e. (Years 2004–2008)
- Memorandum of Profit Forecast of the Company for the years ending March 31, 2009 to 2013.
- Copy of the Board Resolution authorising the Total Offer.
- Copy of the resolution of the shareholders at the Annual General Meeting approving the Total Offer.
- Letter from the Securities & Exchange Commission approving the Total Offer.
- Letter from The Nigerian Stock Exchange approving the Total Offer and for the listing of the shares.
- Audited Accounts of the Company for the years ended March 31, 2004 to 2008.
- Prospectus detailing the Total Offer.
- Abridged Particulars of the Prospectus
- Consents of Parties referred to above.

## PROCEDURE FOR APPLICATION AND ALLOTMENT

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### 1 APPLICATION

- I. The general investing public is hereby invited to apply for the shares through any of the Receiving Agents listed on page 51.
- II. Application for the ordinary shares now being offered must be made in accordance with the instructions set out on the back of the Application Form. Care must be taken to follow these instructions, as applications which do not comply will be rejected.
- III. The Application List for the ordinary shares now being offered will open on December 03, 2008 and close on December 31, 2008. Applications must be for a minimum of 1,000 shares and in multiples of 100 thereafter. The number of shares for which an application is made and value of the cheque or bank draft should be entered in the boxes provided on the Application Form.
- IV. A single applicant should sign the declaration and write his/her full names, addresses and daytime telephone number(s) in the appropriate sections. A corporate applicant should affix its seal and state its incorporation (RC) number in the spaces provided for this purpose. An applicant should only make one application, whether in his/her own name or in the name of a nominee. Multiple or suspected multiple applications will be rejected.
- V. Each application should be forwarded together with the cheque or bank draft for the full amount of the purchase price to any of the Receiving Agents listed on page 51. Applications must be accompanied by a cheque or bank draft made payable to the Receiving Agent to whom the application is submitted, for the full amount payable on application. The cheque or draft must be drawn on a bank in the same city in which the Receiving Agent is domiciled and crossed "HONEYWELL FLOUR MILLS IPO" with the name, address and daytime telephone number of the applicant written on the back. All bank commissions and transfer charges must be prepaid by the applicant. All cheques and drafts will be presented upon receipt and all applications in respect of which cheques are returned unpaid will be rejected and returned through the post.

### 2 ALLOTMENT

The Issuing Houses and the Directors of the Company reserve the right to accept or reject any application in whole or in part, for not meeting the conditions of the Offer. The allotment proposal will be subject to the clearance of the Securities & Exchange Commission.

### 3 E-ALLOTMENT/SHARE CERTIFICATE

E-Allotment/Share certificates in respect of the shares allotted will be sent by electronic transfer to the CSCS account of allottees not later than 15 working days from the date of allotment. Investors are hereby advised to state the name of their stockbroker, CSCS account number in the space provided on the application form. However, investors without CSCS account numbers will receive their certificates by registered post no later than 15 working days from allotment.

### 4 APPLICATION MONIES

All application monies will be retained in separate interest yielding bank account by the Receiving Bankers pending allotment. If any application is not accepted, or is accepted for fewer shares than the balance applied for, a crossed cheque for the full amount + accrued interest or the amount paid (as the case may be) will be returned by registered post within 5 working days of allotment. Where monies are not returned within the stipulated period, accrued interest will be paid at a rate not below MPR + 1 on return monies.

## RECEIVING AGENTS

Application forms may be obtained free of charge from any of the following banks and stockbrokers licensed and/or authorized to do so by SEC, to whom brokerage at the rate of N0.75 per N100.00 worth of shares allotted in respect of applications submitted bearing their official stamp.

The Issuing Houses cannot accept responsibility for the conduct of any of the institutions listed below. Investors are therefore advised to conduct their own enquiries before choosing an agent to act on their behalf. Evidence of lodgment of funds at any of the receiving agents listed below, in the absence of the corresponding evidence of receipt by the Issuing House, cannot give rise to a liability on the part of The Issuing Houses under any circumstances.

### BANKS

Access Bank Plc	PlatinumHabib Bank Plc
AfriBank Nigeria Plc	Nigerian International Bank Limited
Diamond Bank Plc	Skye Bank Plc
EcoBank Nigeria Plc	Spring Bank Plc
Equitorial Trust Bank Plc	Sterling Bank Plc
Fidelity Bank Plc	Stanbic IBTC Bank Plc
First Bank of Nigeria Plc	Standard Chartered Bank Plc
First City Monument Bank Plc	United Bank for Africa Plc
Fin Bank Plc	Union Bank of Nigeria Plc
Guaranty Trust Bank Plc	Unity Bank Plc
Intercontinental Bank Plc	Wema Bank Plc
Oceanic Bank International Plc	Zenith Bank Plc

### STOCKBROKERS AND OTHERS

Adamawa Securities Ltd	Dependable Securities Ltd	Intercontinental Capital Markets Ltd	PSL Limited
Adonai Stockbrokers Ltd	Dominion Trust Ltd	Interstate Securities Ltd	P.S.I. Securities Ltd
ALL Securities Ltd	Dynamic Portfolios Ltd	Investors & Trust Co Ltd	Rainbow Securities & Investment Co. Ltd
Alangrange Securities Ltd	Emerging Capital Lt	Jamkol Investments Ltd	Riverside Trust Limited
Allbond Investments Ltd	EDC Securities Limited	Jenkins Investment Ltd	Reward Investments & Services Ltd
Alltrade Securities Ltd	Empire Securities Ltd	Kinley Securities Ltd	Rivtrust Securities Limited
Alliance Capital Management Ltd	Euro Comm Securities Ltd	Kundila Finance Services Ltd	Rowet Capital Management Ltd
AMYN Investments Ltd	Express Portfolio Services Ltd	LB Securities Ltd	Royal Crest Finance Ltd
Asset & Resource Management Ltd	Falcon Securities Ltd	Lead Securities & Investment Ltd	Sanbros Trust & Securities Ltd
Anchoria Investment & Securities Ltd	FBN Capital Limited	Lighthouse Asset Management Ltd	Securities Solutions Ltd
Apex Securities Ltd	FBN Securities Limited	Lion Stockbrokers Ltd	Security Swaps Ltd
APT Securities & Fund Ltd	F & C Securities Ltd	Lynac Securities Ltd	Shallom Investment & Securities Ltd
Aquila Capital Limited	Fidelity Union Securities Ltd	Magnartis Fin & Inv Ltd	Sigma Securities Ltd
Bacad Finance & Investment Co Ltd	Fidelity Finance Ltd	Mainland Trust Ltd	Silver Financial Services Ltd
Beaver Securities Ltd	Financial Derivatives Ltd	Maninvest Securities Ltd	Smadac Securities Limited
Bestworth Assets & Trust Ltd	Financial Equities Ltd	Marina Securities Ltd	Solid-Rock Securities & Investment Ltd
BGL Securities Limited	Financial Trust Co Ltd	Marriot Securities Limited	Springboard Investment Limited
BFCL Assets & Investment Ltd	Finmal Finance Company Ltd	MBC Securities Ltd	Stanbic Equities Nigeria Ltd
BIC Securities Ltd	First Equity Securities Ltd	Mega Equities Ltd	Summa Guaranty & Trust Co. Ltd
BSD Securities Ltd	First Stockbrokers Ltd	Mercov Securities Ltd	Summit Finance Company Ltd
Capital Assets Ltd	Folu Securities Ltd	Meristem Securities Ltd.	Support Services Ltd
Capital Trust Brokers	Foresight Securities & Investment Ltd	Molten Trust Ltd	Thomas Kingsley Securities Ltd
Capital Express Securities Ltd	Forte Asset Management Ltd	Mutual Alliance Investment & Securities Ltd	Tiddo Securities Ltd
Century Securities Ltd	Forthright Securities & Investments Ltd	Midas Stockbrokers Ltd	Tomil Trusts Ltd
Calyx Securities Ltd	Fountain Securities Ltd	Midlands Investment & Trust Co. Ltd	Topmost Finance & Investment s Ltd
Camry Securities Limited	Future View Financial Services Ltd	Mission Securities Ltd	TRW Stockbrokers Ltd
Cash Craft Asset Management Ltd.	Genesis Securities Ltd.	Morgan Trust & Asset Management Ltd	Transglobe Investment & Finance Co Ltd
Capital Bancorp Ltd	Gidauniya Investment & Securities Ltd	Mountain Investment & Securities Ltd	Trade Link Finance & Securities Ltd
Cashville Investments & Securities Ltd.	Global Capital Market Ltd	Newdevo Finance Securities Ltd	Tropics Securities Ltd
Centre-Point Investment Ltd	Golden Securities Ltd	Niche Securities Ltd	Trust and Financial Services Ltd
City Investment Management Ltd	Great Africa Trust Ltd	Nigerian Stockbrokers Ltd	Trusthouse Investment Ltd
City Securities Ltd	Greenwich Trust Ltd	Network Securities & Finance Ltd	Trust Yields Securities Ltd
City-Code Trust & Investments Ltd	GTI Capital Ltd	Nova Finance & Securities Ltd	UBA Capital (Africa) Ltd
Consolidated Investment Ltd	Hedge Securities & Investments Ltd	Oceanic Capital Company Limited	UBA Stockbrokers Ltd
Cooper Flemming Stockbrokers Ltd	Heritage Investment & Securities Ltd	Options Securities Ltd	UNEX Securities & Investment Ltd
Core Trust & Investment Ltd	Horizon Stockbrokers Ltd	OMF Securities & Finance Ltd	Union Stockbrokers Ltd
Crane Securities Ltd	Horizon Stockbrokers Ltd	Partnership Investment Co. Ltd	Valmon Securities Ltd
Crossworld Securities Ltd	IBTC Asset Management Ltd	Pine Fields Investment Services Ltd	Valueline Securities & Investment Ltd
Clearview Investment Co Ltd	IBN Securities Ltd	PIPC Securities Ltd	Vetiva Capital Management Ltd
Counters Trust Securities Ltd	ICON Stockbroker Ltd	Peak Securities Ltd	Vision Trust & Investments Ltd
CSL Stockbrokers Ltd	IMB Morgan Plc	Perfection Securities & Investment Ltd	WSTC Financial Services Ltd
Dakal Securities Ltd	Indemnity Finance Ltd	PIPC Securities Ltd	Yobe Investment Co. Ltd
DBSL Securities Ltd	Independent Securities Ltd	Platinum Capital Ltd	Zenith Securities Ltd
De-canon Investments Ltd	Integrated Trust & Investments Ltd	Pilot Securities Limited	Zuma Securities Ltd
De-Lords Securities Ltd	Intercontinental Securities Ltd	Professional Stockbroker Ltd	
Denham Management Ltd	International Capital Securities Ltd	Profund Securities Ltd	
	International Standard Securities Ltd	Prominent Securities Ltd	

Application List Opens  
December 03, 2008

Application List Closes  
December 31, 2008



**HONEYWELL FLOUR MILLS PLC**  
Offer for Sale of RC: 55495

**1,252,941,177 Ordinary Shares of 50 kobo each**  
**at ₦8.50 per share**  
**Payable in Full on Application**

JOINT ISSUING HOUSES:

LEAD ISSUING HOUSE:



RC: 446599

JOINT ISSUING HOUSE



RC: 223042



RC: 125478



RC: 44999



Applications must be made in accordance with the instructions set out on the back of this application form. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance.

**DECLARATION**

I/We am/are 18 years of age or over

I/We authorise you to send a share certificate and/or cheque for any amount overpaid by Registered post to the address given below and to procure registration in my/our name as the holder(s) of such number of shares or such smaller number, as aforesaid.

I/We attach the amount payable in full on application for the number of shares in Honeywell Flour Mills Plc at ₦8.50 per share.

I/We agree to accept the same or any smaller number of shares in respect of which allotment may be made upon the terms of the Prospectus and subject to the Memorandum and Articles of Association of Honeywell Flour Mills Plc.

I/We declare that I/we have read a copy of the Prospectus for the Offer dated Xxx xx, 2008 by the Joint Issuing Houses on behalf of Honeywell Flour Mills Plc.

**GUIDE TO APPLICATION**

Number of units applied for	Amount payable
1,000 minimum	₦ 8,500.00
Subsequent multiples of 100	₦ 850.00

Date (DD/MM/YYYY)

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CONTROL NO: (Registrar's use only)

. . . . .

Number of Units Applied for:

. . . . .

Value of units applied for / Amount Paid

₦ . . . . .

PLEASE COMPLETE IN BLOCK LETTERS

**1. INDIVIDUAL / CORPORATE APPLICANT**

Surname / Company's Name Title :  Mr.  Mrs.  Miss

. . . . .

Other Names (for individual applicant only)

. . . . .

Full Postal Address/Street Address

. . . . .

City/Town

. . . . .

State

. . . . .

Land Phone Number

. . . . .

Mobile (GSM) Phone Number

. . . . .

Email Address

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Next of Kin

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CSCS NO (if you want shares credited to your CSCS A/C) Clearing House Number (CHN)

C . . . . .

. . . . .

Name of Stockbroker

. . . . .

**2. JOINT APPLICANT**

Surname Title :  Mr.  Mrs.  Miss

. . . . .

Other Names

. . . . .

**3. Bank details (for E-Dividend):**

Name of Bank

. . . . .

Branch

. . . . .

Account No:

. . . . .

Signature or Thumbprint



Signature or Thumbprint

Stamp of Receiving Agent

Company Seal & Incorporation Number (Corporate Applicant)

. . . . .

5738405877

Application List Opens  
December 03, 2008

Application List Closes  
December 31, 2008



LEAD ISSUING HOUSE:



RC: 446599

JOINT ISSUING HOUSE



RC: 223042

**HONEYWELL FLOUR MILLS PLC**  
Offer for Subscription of  
RC: 55495  
**941,176,471 Ordinary Shares of 50 kobo each at  
N8.50 per share**  
**Payable in Full on Application**

JOINT ISSUING HOUSES:



RC:125478



RC: 44999



Applications must be made in accordance with the instructions set out on the back of this application form. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance.

**DECLARATION**

- I/We am/are 18 years of age or over
- I/We authorise you to send a share certificate and/or cheque for any amount overpaid by Registered post to the address given below and to procure registration in my/our name as the holder(s) of such number of shares or such smaller number, as aforesaid.
- I/We attach the amount payable in full on application for the number of shares in Honeywell Flour Mills Plc at N8.50 per share.
- I/We agree to accept the same or any smaller number of shares in respect of which allotment may be made upon the terms of the Prospectus and subject to the Memorandum and Articles of Association of Honeywell Flour Mills Plc.
- I/We declare that I/we have read a copy of the Prospectus for the Offer dated Xxx xx, 2008 by the Joint Issuing Houses on behalf of Honeywell Flour Mills Plc.

GUIDE TO APPLICATION	
Number of units applied for	Amount payable
1,000 minimum	N 8,500.00
Subsequent multiples of 100	N 850.00

Date (DD/MM/YYYY)

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CONTROL NO: (Registrar's use only)

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Number of Units Applied for:

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Value of units applied for / Amount Paid

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PLEASE COMPLETE IN BLOCK LETTERS

**1. INDIVIDUAL / CORPORATE APPLICANT**

Surname / Company's Name Title :  Mr.  Mrs.  Miss

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Other Names (for individual applicant only)

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Full Postal Address/Street Address

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City/Town

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State

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Land Phone Number

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Mobile (GSM) Phone Number

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Email Address

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CSCS NO (if you want shares credited to your CSCS A/C) Clearing House Number (CHN)

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Name of Stockbroker

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**2. JOINT APPLICANT**

Surname Title :  Mr.  Mrs.  Miss

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Other Names

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**3. Bank details (for E-Dividend):**

Name of Bank

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Branch

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Account No:

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Signature or Thumbprint



Signature or Thumbprint

Stamp of Receiving Agent

Company Seal & Incorporation Number (Corporate Applicant)

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## **INSTRUCTIONS FOR COMPLETING THE APPLICATION FORMS**

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1. Applications should be made only on the Application Form or Photocopy or scanned copies of the Application Form.
2. Applications must not be for less than the minimum number of shares stated on the Application Form. Applications for more than the minimum number of shares must be in the multiples stated on the Application Form. The number of ordinary shares for which an application is made and the amount of the cheque or bank draft attached should be entered in the boxes provided.
3. The Application Form when completed should be lodged with any of the Receiving Agents listed on page 51 Applications must be accompanied by a cheque or bank draft made payable to the Receiving Agent to whom the application is submitted, for the full amount payable on application. The cheque or draft must be drawn on a bank in the same town or city in which the Receiving Agent is located and crossed "Honeywell Flour Mills Plc" with the name, address and daytime telephone number of the applicant written on the back. All bank commissions and the applicant must prepay transfer charges. All cheques and drafts will be presented upon receipt and all applications in respect of which cheques are returned unpaid will be rejected.
4. The applicant should make only one application, whether in his own name or in the name of a nominee. Multiple or suspected multiple applications will be rejected.
5. Joint applicants must all sign the Application Form.
6. An application from a group of individuals should be made in the names of those individuals with no mention of the name of the group. An application by a firm which is not registered under the Companies and Allied Matters Act 1990 should be made either in the name of the proprietor or in the names of the individual partners. In neither case should the name of the firm be mentioned.
7. An application from a corporate body must bear the corporate body's seal and be completed under the hand of a duly authorised official.
8. An application from a pension or provident fund must be in the name of each individual trustee unless the trustee is a limited liability company.
9. An application by an illiterate should bear his right thumbprint on the Application Form and be witnessed by an official of the Bank or stockbroker at which the application is lodged who must first have explained the meaning and effect of the Application Form to the illiterate in his own language. Above the thumb print of the illiterate, the witness must record in writing that he has given this explanation to the illiterate in a language understandable to him and that the illiterate appeared to have understood same before affixing his thumb impression.
10. The applicant should not print his signature. If he is unable to sign in the normal manner he should be treated for the purpose of this Offer as an illiterate and his right thumbprint should be clearly impressed on the Application Form.

<p style="text-align: center;"><b>APPLICATION FORM</b></p> <p style="text-align: center;"><b>HONEYWELL FLOUR MILLS PLC</b></p>
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