



# Nigerian-German Chemicals PLC

A passion for excellence

## Accounts - 1999

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### Financial Highlights

Year ended December, 1999

	1999	1998
	<b>₦'000</b>	<b>₦'000</b>
Major balance sheet items:		
Total Assets	1,734,533	1,773,238
Current liabilities	673,596	941,243
Long term liabilities	63,000	52,917
Provisions for liabilities and charges	27,279	27,279
Shareholder's funds	970,658	751,799
Major profit and loss account items:		
Turnover	1,156,861	972,311
(Loss)/Profit before taxation	17,374	4,855
Taxation	8,593	10,438
(Loss)/Profit after taxation	8,781	(5,583)
Dividend (gross)	-	-
Information per 50k ordinary share based on 131,816,00 (1998- 61,250,000) ordinary shares:		
Earnings - (Actual)	6.66k	(9.12k)
Earnings (Diluted)	6.66k	(4.24k)
Dividend - (Actual)	-	-
Dividend (Diluted)	-	-
Dividend cover (times)	-	-
Net assets per share (actual)	₦ 7.36	₦ 12.27
Net assets per share (diluted)	₦ 7.36	₦ 5.70
Number of employees	170	177

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### Chairman's Statement

From the 36th Annual General Meeting - 13th July, 2000

Distinguished Shareholders, Ladies and Gentlemen,

I am pleased to welcome you all to the 36th Annual General Meeting of our Company and to present to you the Annual Report and Accounts for the year ended 31st December, 1999. In order to appreciate the results, I shall dwell briefly on the business and political environment under which we operate.

## The Business and Political Environment

In 1999, Nigeria successfully and peacefully resumed governance under a civilian democratic dispensation, after 15 years of military rule. This development also led to the resumption of international goodwill for Nigeria, as well as euphoria and renewed expectations amongst all Nigerians.

Pre-occupation with the conduct of a successful political transition, and teething / adjustment problems in the early months of our new democracy unfortunately meant that the economy and budget implementation was neglected.

Due to heavy spending by the departing military government, and consequent depletion of foreign reserves, the new civilian government was compelled to take drastic short term corrective measures to reduce foreign exchange demand, by dramatically increasing interest rates. For the second half of the year, interest rates averaged 36% per annum, up from 22% in the first half.

Government spending during the year has a very limited effect on improvement of consumer purchasing power. Consequently, companies with large inventories and trade debtors could not pass on increased costs of financing to the consumers by raising prices. The effects on their business were severe.

In the meantime, manufacturing costs continue to rise, with continued epileptic power supply from NEPA and increased rates and taxes from state governments seeking to increase revenue generation.

Sadly, various ethnic clashes in various parts of the country, as the year ended, depressed sales and increased the cost of transportation, as well as the additional misery index quite significantly.

## 1999 Performance

In NGC, we had to contend with the negative impact of the external conditions I briefly touched on earlier. Our biggest challenge continued to be to deal with the impact of tight cash flow on our operations.

The sharp increase in interest rates in early July compounded our cash flow situation, and affected our performance severely. As you well know, we convened an Extra-Ordinary General Meeting on 10th July 1999, seeking approval of the shareholders, to increase the paid up equity of the Company, through a rights issue. The proceeds were to be employed in improving our supply chain and reducing our liabilities.

I am pleased to announce that despite the shortfall in the rights issue, the management fulfilled its representations made in the rights issue prospectus, regarding company performance. Turnover was N1.156 billion, reversing the dip below the N1 billion mark in 1998. Operating Profit increased from N126.5 million in 1998, to N198.1 million in 1999. Despite a sharp increase in interest and similar financial charges, from N121.6 million in 1998 to N180.1 million in 1999, the profit before tax rose from N4.9 million in 1998 to N17.4 million in 1999.

This performance also reflects the benefits of our asset modernisation and operations efficiency enhancement programmes.

## Outlook for 2000 and Beyond

The Federal Government budget for the Year 2000 contained several initiatives to

alleviate poverty and to reflate the economy. It also included several measures intended to assist local manufacturers improve their fortunes. Of particular mention, raw material import tariffs for pharmaceutical products have been reduced, but sadly for the chemical business, some duties have been increased! The budget was also held up at the appropriate stage, and would have very little impact on the fortunes of most companies in this financial year. For our Healthcare business, high stocks of imported products in addition to late budget implementation will compromise the benefits intended in the budget.

There would also appear to be little hope of a significant reduction in the cost of funds during the year, and improvement in infrastructure, especially public electric power supply.

The focus of management is on reducing the size of our bank debts by improving cash flow. To achieve this, management will focus on disposal of idle assets, improved supply chain management, reduction of operating expenses and product and customer rationalisation. The management will also be examining right structuring the imbalance between long and short term borrowings in its debt portfolio.

Improved cash flow will also enable management to launch new products, increasing capacity utilisation, and reducing unit costs.

Management continues to place high priority on strengthening sales and marketing activities. Particular emphasis is being placed on customer relationship management, to enhance sales.

Despite ongoing challenges in the operating environment and manufacturing sector especially, we are confident that the company is well positioned to deliver consistent growth and steady improvement in shareholder returns in the following years. Our modern production facilities are a source of pride for us. Several multinational companies have approached us to enter into production alliances. The proposals are being evaluated, and should yield us good income in the short term, pending development and growth of our portfolio of products to match our capacities.

#### Dividend Policy

As the Company continues to require cash to fund its operations and reduce its debts, we regret that there will be no dividend payout this year. This intention was stated before hand in the rights issue prospectus. We are sure that this prudent move will send the right signals to the investing public, and should improve the value of each quoted share on the Stock Exchange. We are confident that a further improvement in performance and reduction in bank debts during the year 2000 will afford sufficient cash flow to resume consistent dividend payouts. We appeal to all shareholders to understand the justification for this position.

#### Changes to the Board

After a year on the Board of the Company, and two years after joining the Company, Mr. Kartik Raina resigned, at the end of his employment contract, to be closer to his family in India. I know I speak well on behalf of members of the Board and management in expressing appreciation to him for his years of service, and in praying for success in all his future endeavours.

The Directors, on April 26, 2000 approved the election of Mr. T. S. Seenivasan to the Board. He heads the Finance and Commercial Division. He joined the company in September 1999, and he is a Chartered Accountant with wide and rich experience in Nigeria. Since joining NGC, he has performed commendably in strengthening the Company's financial and commercial management. I and on behalf of the other

Company Management and Commercial Management. I am confident that the directors, give a hearty welcome to Mr. T. S. Seenivasan.

#### Management and Staff Matters

Despite the strains of operations during the year, employee relations remained cordial throughout the year, continuing a seven-year tradition. The management and staff of the Company deserve commendation for their efforts in this difficult year.

I am confident that they fully appreciate the enormity of the challenges they face going into the future, and are even better prepared to address these challenges now and in the future.

#### Conclusion

In conclusion, let me express my gratitude to all the shareholders for their continued support. The Company remains fundamentally sound, with a very strong asset base, essential to safeguard sustained long term growth and development. I am confident that long term shareholder value and returns are assured.

Thanks for your attention.

Abali Muhammadu – Emir of Fika  
Chairman

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#### Profit and Loss Account

Year ended December 31, 1999

	1999	1998
	₦'000	₦'000
TURNOVER	1,156,861	972,311
Cost of sales	(600,011)	567,814
	<hr/>	<hr/>
GROSS PROFIT	556,850	404,49
Distribution costs		
Administrative and establishment costs	(307,584)	(293,883)
Other income	16,895	19,958
	<hr/>	<hr/>
OPERATING PROFIT	198,069	126,527
Interest and similar charges	(180,695)	(121,672)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	17,374	4,855
Taxation	(8,593)	(10,438)
	<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8,781	(5,583)
Proposed dividend	-	-
	<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE YEAR TRANSFERRED TO GENERAL RESERVE	8,781	(5,583)
	<hr/>	<hr/>
PER SHARE DATA	<hr/>	<hr/>

Earnings/(Loss) per share (actual)	6.66k	(9.12K)
Earnings/(Loss) per share (adjusted)	6.66k	(4.24k)
Dividend per share	Nil	Nil
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## Balance Sheet

At December 31, 1999

	1999	1998
	₦'000	₦'000
FIXED ASSETS	635,358	652,682
INVESTMENT	161,962	146,579
RESEARCH AND DEVELOPMENT	17,420	18,745
	<u>-----</u>	<u>-----</u>
CURRENT ASSETS	814,740	818,006
	<u>-----</u>	<u>-----</u>
Stocks	584,580	628,153
Debtors	320,926	262,927
Cash at Bank and in Hand	14,287	58,630
	<u>-----</u>	<u>-----</u>
	919,793	949,710
CREDITORS:		
Amount falling due within one year:	(673,596)	(935,721)
	<u>-----</u>	<u>-----</u>
NET CURRENT ASSETS/(LIABILITIES)	246,197	13,989
	<u>-----</u>	<u>-----</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,060,937	831,995
	<u>-----</u>	<u>-----</u>
CREDITORS:		
Amounts falling due after more than one year	(63,000)	(52,917)
PROVISIONS FOR LIABILITIES AND CHARGES:		
Deferred Taxation	(27,279)	(27,279)
	<u>-----</u>	<u>-----</u>
NET ASSETS	970,658	751,799
	<u>-----</u>	<u>-----</u>
CAPITAL AND RESERVES:		
Called-up Share Capital	65,908	30,625
Share Premium	377,339	194,88
Revaluation Reserve	256,850	256,850
General Reserve	270,561	201,780
Debenture Redemption Reserve	-	60,000
Reserve for Bonus Issue	-	7,656
	<u>-----</u>	<u>-----</u>
	970,658	751,799
	<u>-----</u>	<u>-----</u>

## Cash Flow Statement

Year ended December 31, 1998

	1999	1998
	N'000	N'000
OPERATING ACTIVITIES:		
Profit before taxation	17,374	4,855
Adjustments for:		
Depreciation of fixed assets	73,979	63,609
Interest expenses	180,695	121,672
Profit on sale of fixed assets	(748)	(1,118)
Amortisation of leased assets	3,000	3,000
	<u>274,300</u>	<u>192,018</u>
CHANGES IN WORKING CAPITAL		
Stocks	43,573	96,660
Debtors	(52,477)	29,638
Creditors	(47,822)	(77,021)
	<u>217,574</u>	<u>241,295</u>
NET CASH FLOW FROM OPERATIONS	217,574	241,295
Tax paid	(5,460)	(8,702)
	<u>212,114</u>	<u>232,593</u>
Investing activities:		
Proceeds from right issue	210,078	-
Purchase of fixed assets	(64,256)	(185,543)
Proceeds from sale of fixed assets	5,349	2,356
Purchase of investment	(15,383)	(126,887)
Research and development	1,325	(18,745)
	<u>137,113</u>	<u>(328,819)</u>
Financing activities:		
Loans received	25,000	117,917
Interest paid	(180,695)	(121,672)
Dividends paid	-	(33,864)
	<u>(155,695)</u>	<u>(37,619)</u>
Net cash flow	193,532	(133,845)
Cash and cash equivalents, beginning of the year	(652,564)	(518,719)
	<u>(459,032)</u>	<u>(652,564)</u>
Cash and cash equivalents, end of the year	<u>-----</u>	<u>-----</u>
REPRESENTED BY:		
Cash in hand and at bank	14,287	58,630
Bank overdraft	(473,319)	(711,194)
	<u>(459,032)</u>	<u>(652,564)</u>

## Five-Year Financial Summary

Year ended December 31,

	1999	1998	1997	1996	1995
	₱'000	₱'000	₱'000	₱'000	₱'000
<b>TURNOVER AND PROFIT</b>					
Turnover	1,156,861	972,311	1,086,324	928,927	718,597
Profit before taxation	17,374	4,855	80,900	131,017	120,879
Taxation	(8,593)	(10,438)	(7,886)	(28,045)	(22,291)
(Loss)/Profit after taxation	8,781	(5,583)	73,014	102,972	98,588
Dividend	-	-	(30,625)	(30,625)	(17,500)
Debenture redemption reserve	-	-	(4,000)	(12,000)	(12,000)
Profit/(Loss) retained	8,781	(5,583)	38,389	60,347	69,088
Earnings per share - (notes) - actual	6.66K	(9.12k)	119.21k	168.12k	160.96k
Dividend per share - (notes) - actual	-	-	50.00k	50.00k	28.57k
<b>ASSETS EMPLOYED</b>					
Fixed assets	635,358	652,682	534,986	395,485	320,542
Investment	161,962	146,579	19,692	-	-
Research and Development	17,420	18,745	-	-	-
Net current assets	246,197	13,989	252,273	411,697	236,647
	1,060,937	831,995	806,951	807,182	557,189
Provision for liabilities and charges	(90,279)	(80,196)	(49,569)	(92,189)	(149,834)
	970,658	751,799	757,382	714,993	407,355
<b>FINANCED BY</b>					
Share capital	65,908	30,625	30,625	30,625	17,500
Reserves	904,750	721,174	726,757	684,368	389,855
Shareholders' funds	970,658	751,799	757,382	714,993	407,355

### Notes:

- Earnings per share are based on the profit after taxation.
- Earnings and dividend per share are calculated on basis of 131,816,000 ordinary shares in issue at December 31, 1999.

[More Information](#)

For more information on our accounts, please contact our company secretary for a copy of our ANNUAL REPORT:

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