

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**  
**PROFESSIONAL LEVEL EXAMINATION – PILOT QUESTIONS AND ANSWERS 2025**

**CASE STUDY**

**Time Allowed: 4 hours (including reading time)**

**INSTRUCTION: YOU ARE TO USE CASE STUDY ANSWER BOOKLET FOR THIS PAPER**

**PRE-SEEN**

This material is issued prior to the examination date to enable candidates familiarise themselves with the case scenario so as to undertake any research and analyses they think fit. This pre-seen part of the Case Study examination is also published on the Institute's website: [www.ican.org/students](http://www.ican.org/students).

You **MUST NOT** bring this material with you to the Examination Hall. On receipt of this material, you are to spend the few days to the examination date to familiarise yourself with the information provided, carry out additional research and analyses about the industry and analyse the financials provided in preparation for the examination. Candidates should note that the use of pre-seen part of the Case Study will not significantly help them in their preparation for this examination. It is essential that they carry out sufficient analyses work on their own in order to have a good understanding of the pre-seen part of the case scenario.

At the start of the examination, candidates will receive the complete case scenario. which will include both the pre-seen and the unseen which includes the requirements. You must use the answer paper provided by ICAN in the Examination Hall. Any solution presented with any other paper **WILL NOT** be assessed.

**Assessment of the Case Study**

The marks in the Case Study examination are awarded for professional skills and are approximately allocated as follows:

▶ Assimilating and using information	20%
▶ Structuring problems and solutions	20%
▶ Applying judgement	20%
▶ Drawing conclusions and making recommendations	20%
▶ Demonstrating integrative and multidisciplinary skills	10%
▶ Presenting appropriate appendices	10%

Of the total marks available, 20% are awarded for the executive summary and approximately 10% for the relevant discussion of ethical issues within your answer to the requirements. Although ethical issues do not form a specific requirement, as this is deemed to have been tested in other subjects of the ICAN professional examination, but will be tested within a requirement which may include the following areas:

- ▶ Lack of professional independence or objectivity;
- ▶ Conflicts of interest among stakeholders;
- ▶ Doubtful accounting and or creative accounting practice;
- ▶ Unethical business/commercial practice; and
- ▶ Inappropriate pressure to achieve a reported result.

Candidates should note that marks are not awarded for just simply restating facts from the case scenario, but marks are awarded for demonstrating professional skills and technical depth. Therefore, to succeed, candidates are required to:

- ▶ Show sufficient evidence of knowledge of the case scenario;
- ▶ Be able to carry out appropriate analyses of the issues involved and suggest feasible solutions to the problems identified;
- ▶ Demonstrate ability to make informed judgement on the basis of analyses carried out; and
- ▶ Generate reasoned conclusions upon which relevant recommendations are made.

Candidates that omit any one of these will have a slim chance of success in the examination.

## **Pilot Case Study 1: Tomat Agricultural Products Nigeria Limited**

### List of exhibits

- Exhibit 1: About you (John Chukwudi) and your employer, Zamani, Adeola & Co (Chartered Accountants).
- Exhibit 2: **An Appraisal of the Nigerian Economy and Business Environment**
- Exhibit 3: Tomat Agricultural Products Nigeria Limited: Board and management
- Exhibit 4: Tomat Agricultural Products Nigeria Limited financial statements summary – 2022 - 2023

**About you (John Chukwudi) and your employer, Zamani, Adeola & Co (Chartered Accountants)**

You are **John Chukwudi**, writing the Professional level of ICAN examination. You are employed as a Trainee in the firm of **Zamani, Adeola & Co (Chartered Accountants)**. You are reporting to David Zamani, a Partner in the firm. Your responsibilities include:

- Preparing detailed financial analyses and reports on the performance of the firm's clients;
- Analysing your clients' financial statements to identify areas of weakness and proffering likely solutions to correct the anomalies;
- Assessing operational and strategic business proposals to see how each aligns with the client's objectives and its impact on its business and financial risks;
- Assessing your client's business and operational environments; and
- Drafting reports for your Partner, based on the operational and strategic business analyses you have carried out.

These responsibilities demand that you keep yourself abreast of both national and global environments within which your clients operate, to be able to carry out the above tasks effectively.

## An Appraisal of the Nigerian Economy and Business Environment

Nigeria is the most populous nation in Africa and has the largest economy, the country presents a complex and dynamic landscape for both domestic and international businesses.

Nigeria presents a mixed bag of opportunities and challenges for businesses. While the country possesses significant potential due to its large market, abundant resources, and entrepreneurial spirit. It also faces serious obstacles, such as infrastructure deficits, corruption, insecurity, and policy inconsistency. Success in the Nigerian market requires a long-term perspective, a deep understanding of the local context, and a willingness to navigate the complexities of the business environment. By addressing the key challenges and leveraging the available opportunities, Nigeria can unlock its full economic potential and create a more prosperous future for its citizens.

### Overview of the Nigerian Economy

**Gross domestic product (GDP) and growth:** Nigeria's GDP is heavily reliant on the oil sector, which accounts for a significant portion of its revenue and exports. However, the non-oil sector, particularly agriculture, telecommunications, and services, is increasingly contributing to growth. Recent years have seen fluctuating growth rates, often influenced by oil price volatility and broader global economic conditions.

**Population and demographics:** With a youthful and rapidly growing population, Nigeria boasts a large consumer market and a potential workforce. However, this demographic dividend is challenged by high unemployment and underemployment rates, especially among young people. Many young people in Nigeria today are turning to crime, especially cybercrime due to lack of employment opportunities and the desire to get rich quick.

**Currency and exchange rate:** The Naira has faced persistent devaluation pressures due to factors like limited foreign exchange reserves and over-reliance on oil revenues. But with the abrogation of multiple exchange rate by the current administration, the Naira exchange rate is becoming more stable. **Inflation:** Nigeria has struggled with high inflation rates, driven by factors such as supply chain disruptions, currency devaluation, and increased demand. This erodes purchasing power and increases the cost of doing business.

### Key Sectors of the economy

The following are the key sectors of the Nigerian economy:

**Oil & Gas:** This is the dominant sector of the economy, but the sector is currently facing challenges from declining production, pipeline vandalism, and global energy transition;

**Agriculture:** This sector is a significant employer of labour, with potential for growth through modernisation, improved access to finance, and better infrastructure;

**Telecommunications:** This sector is experiencing rapid growth, driven by increasing mobile penetration and internet usage;

**Financial Services:** There is a relatively well-developed banking sector, but access to finance remains a

challenge for small and medium enterprises (SMEs);

**Manufacturing:** This sector has a potential for growth, but this growth has been hindered by infrastructure deficits, high energy costs, and reliance on imports; and

**Retail:** This is an expanding sector driven by a growing middle class and increasing urbanisation.

## Business environment analysis

### Strengths

The following are noticeable strengths of the Nigerian economy:

- a. **Large market:** Vast and growing population provides a significant consumer base.
- b. **Abundant natural resources:** Rich in oil, gas, minerals, and agricultural resources.
- c. **Entrepreneurial spirit:** Nigerians are known for their resilience, innovation, and entrepreneurial drive.
- d. **Strategic location:** Important gateway to West Africa and a hub for regional trade.
- e. **Growing technology sector:** Flourishing tech ecosystem with increasing investment and innovation.
- f. **Relatively educated workforce:** Significant number of graduates and skilled workers, though often requiring further training.
- g. **Improving regulatory framework (in some areas):** Some efforts to simplify business registration and improve the ease of doing business.

### Weaknesses

The following are the identified weaknesses in the Nigerian economy:

- a. **Infrastructure deficit:** Poor power supply, inadequate transportation networks (roads, railways, ports), and limited access to clean water.
- b. **Corruption:** Pervasive corruption at various levels of government and society, increasing the cost of doing business and undermining trust.
- c. **Insecurity:** Security challenges in various regions, including Boko Haram insurgency in the Northeast, banditry in the Northwest, farmer-herder clashes in the Middle Belt, and militancy in the Niger Delta.
- d. **Policy inconsistency:** Frequent changes in government policies create uncertainty and discourage long-term investment.
- e. **High cost of doing business:** This is driven by infrastructure deficits, corruption, bureaucratic bottlenecks, and multiple taxation. However, with the recent passage of the tax reform bill by the National Assembly, it is expected that multiple taxation will become a thing of the past.
- f. **Limited access to finance:** Especially for SMEs, who struggle to obtain loans due to high interest rates and collateral requirements.
- g. **Inefficient bureaucracy:** Complex and lengthy procedures for permits, licences, and other regulatory approvals.
- h. **Weak rule of law:** Inconsistent enforcement of contracts and property rights, undermining investor confidence.
- i. **High unemployment:** Significant unemployment and underemployment, especially among youths.

### Opportunities

**Diversification of the Economy:** Shifting away from oil dependence and focusing on agriculture, manufacturing, and services. Efforts to diversify the economy away from oil dependency are expected to bear fruit. The agriculture sector, technology, manufacturing, and services are crucial for driving growth. By

2025, sectors like fintech and agri-tech could witness substantial growth, supporting job creation and enhancing productivity.

Emphasis on agricultural technology and sustainable practices may lead to increased productivity and food security, reducing import dependence.

**Investment in Infrastructure:** Government efforts to improve infrastructure through public-private partnerships and attracting foreign investment.

**Development of the Agricultural Sector:** Modernising agriculture, improving value chains, and boosting food production.

**Growth of the Technology Sector:** Leveraging the growing technology ecosystem to develop innovative solutions for various sectors. The technology ecosystem in Nigeria has seen significant growth in recent years, with startups gaining international prominence. By 2025, leveraging technology in various sectors (like health, education, and finance) can improve efficiency and market reach. The rise of digital banking and e-commerce platforms may enhance financial inclusion, enabling more citizens to participate in the economy.

**Expanding Manufacturing Sector:** Promoting local manufacturing through incentives, infrastructure development, and import substitution.

**Regional Trade Opportunities:** Benefiting from the African Continental Free Trade Area (AfCFTA) protocols to expand trade within Africa. Participation in regional trade agreements, AfCFTA, may enhance intra-African trade, providing new markets for Nigerian goods and services. Increased trade relations with neighbouring countries could boost economic prospects.

**Renewable Energy Investments:** Developing renewable energy sources, such as solar and wind, to address the power deficit.

**Demographic Dividend:** Nigeria has one of the youngest populations globally. Initiatives aimed at youth employment to harness this demographic dividend can be pivotal in stimulating economic activity and innovation. Harnessing the youthful population by investing in education, skills development, and job creation.

**Financial Inclusion:** Expanding access to financial services for the unbanked population through innovative technologies.

**Asset Performance:** Continued recovery in commodity prices, especially in agriculture and minerals, could positively impact government revenues, public spending, and overall economic activity.

## **Threats**

The following are the major threats in the Nigerian economy:

**Oil Dependency:** Despite diversification efforts, Nigeria still remains vulnerable to fluctuations in global oil prices. Any decline in oil prices can negatively impact government revenue and foreign exchange, leading to macroeconomic instability.

**Oil Price Volatility:** Fluctuations in global oil prices impacting government revenue and the economy.

**Security Risks:** Persistent security challenges deterring investment and disrupting business operations.

Insecurity, including terrorism and banditry, particularly in the northern regions, may deter investment and disrupt economic activities

**Political Instability:** Risk of political instability during elections and transitions. Political challenges, including governance issues and potential unrest, can further exacerbate economic vulnerabilities.

**Climate Change:** Impacts on agriculture, water resources, and infrastructure, exacerbating existing challenges.

**Global Economic conditions:** Nigeria's economic prospects are also influenced by global conditions, such as changes in demand for oil, shifting trade relations, and geopolitical tensions. Fluctuations in the global economy can lead to instability in Nigeria's markets and economic forecasts.

**Currency Devaluation:** Further depreciation of the Naira, increasing import costs and fuelling inflation.

**Rising Debt Levels:** Increasing government debt burden, limiting fiscal space for development.

**Regulatory Uncertainty:** Inconsistent or unpredictable regulatory changes, undermining investor confidence.

**Competition from other African economies:** Increased competition from other African countries, attracting investment and promoting economic growth.

**Infrastructure deficiencies:** Inadequate infrastructure, particularly in power and transportation, continues to impede economic growth. Slow progress in addressing this gap may stifle the development of manufacturing and services.

**High Inflation Rates:** Nigeria has faced persistent inflation, driven by currency depreciation, supply chain disruptions, and rising food prices. If inflation remains high, consumer purchasing power will diminish, affecting overall economic growth and living standards.

**Unemployment and underemployment:** Despite potential job creation from investment and diversification, existing high rates of unemployment (particularly, among youths) pose significant social and economic challenges. Without effective job creation strategies, discontent among young Nigerians may grow.

**Corruption and governance issues:** Corruption remains a significant obstacle in Nigeria. Weak institutions and governance can undermine economic policies, deter investment, and result in inefficient resource allocation.

### **Key challenges for businesses**

**Navigating regulatory hurdles:** Dealing with complex and time-consuming regulatory processes.

**Managing Corruption:** Avoiding corrupt practices while operating in a challenging business environment.

**Securing reliable power supply:** Investing in alternative power sources to mitigate the unreliable power grid.

**Dealing with infrastructure deficiencies:** Addressing transportation bottlenecks and other infrastructure challenges.

**Accessing finance:** Obtaining loans and other forms of financing from banks and other financial institutions.

**Recruiting and retaining skilled labour:** Finding and retaining qualified employees in a competitive



labour market.

**Managing Security Risks:** Implementing security measures to protect employees, assets, and operations.

**Staying abreast of policy changes:** Keeping up with frequent changes in government policies and regulations.

**Competing with informal sector:** Dealing with competition from unregulated businesses in the informal sector.

### **Tomat Agricultural Products Nigeria Limited (TAP): Board and management**

The board and management team of TAP comprise seasoned professionals and businessmen. The board is led by Alhaji Seidu Maigari, a successful Harvard-trained businessman. He has worked in various industries during his work career before venturing into business. He currently owns chains of successful businesses, and he incorporated TAP in 2020. He invited his professional colleagues and other businessmen to take up shares in TAP, while he retains 45% stake in the company.

#### **Board of directors**

The board comprises:

Alhaji Seidu Maigari	Chairman
Dr Yahaya Suleiman	Non-executive director
Mrs Atta Yesuf	Non-executive director
Dr Joseph Tarka	Independent non-executive director
Alhaji Tanko Saidi	Managing director
Mr Tola Abioye	Director - Finance and Strategy
Dr Thompson Okoro	Technical/Production Director

#### **Management team**

The day-to-day operations of TAP are run by a top management team, comprising:

Alhaji Tanko Saidi	Managing Director
Mr Tola Abioye	Director - Finance and Strategy
Dr Thompson Okoro	Technical/Production Director
Mallam Mohammad Sakari	General Manager – Supply Chain
Mr David Danladi	General Manager – Human Resources
Mrs Janet Idoma	General Manager – Sales and Marketing

**Tomat Agricultural Products Nigeria Limited**  
**Statement of financial position as at 31 December:**

	<b>2023</b> <b>₦million</b>	<b>2022</b> <b>₦million</b>
Assets		
Property, plant and equipment	1,562.5	1,500.4
Right of use asset	11.5	31.7
Intangible assets	11.0	17.4
Investment property	225.9	226.2
	1,810.9	1,775.7
	-	-
Inventories	1,342.7	854.3
Trade and other receivables	193.8	152.1
Deposit for imports	29.1	54.9
Prepayments and advances	95.9	57.4
Other financial assets	160.7	224.8
Cash and cash equivalent	498.8	309.9
	2,321.0	1,653.4
Total assets	4,131.9	3,429.1
Equity		
Share capital	90.6	90.6
Share premium	396.9	396.9
Retained earnings	1,719.6	1,589.6
Total equity	2,206.8	2,077.1
	-	-
Non-current liabilities	-	-
Loans and borrowings	639.2	293.8
	639.2	293.8
Current liabilities		
Loans and borrowings	84.00	55.7
Current tax liabilities	205.4	101.1
Trade and other payables	996.5	901.4
	1,285.9	1,058.2
Total liabilities	1,925.1	1,352.0
Total equity and liabilities	4,131.9	3,429.1

**Tomat Agricultural Products Nigeria Limited**  
**Statement of profit or Loss**

	<b>2023</b>	<b>2022</b>
	<b><del>N</del>million</b>	<b><del>N</del>million</b>
Revenue	4,943.9	3,957.2
Cost of sales	(3,258.8)	(2,703.9)
Gross profit	1,685.1	1,253.3
Other income	52.5	57.8
Selling and distribution expenses	(328.7)	(197.5)
Administrative expenses	(924.6)	(872.4)
Operating profit	484.3	241.2
Finance income	33.4	10.8
Finance costs	(17.8)	(9.7)
Profit before tax	499.9	242.3
Income tax expense	<u>( 206.9)</u>	<u>( 111.9)</u>
<b>Profit for the year</b>	<b><u>293.00</u></b>	<b><u>130.4</u></b>

**UNSEEN**

## **Pilot Case Study 2: Tomat Agricultural Products Nigeria Limited**

### **List of exhibits**

The following exhibits are newly provided and did not form part of the material provided as Pre-seen:

- Exhibit 5: Email from David Zamani to John Chukwudi
- Exhibit 6: Email from Tola Abioye of Tomat to David Zamani
- Exhibit 7: Tomat Agricultural Products Nigeria Limited: Industry analysis and strategic thrust
- Exhibit 8: Tomat Agricultural Products Nigeria Limited: The tomatoes processing project
- Exhibit 9: Tomat Agricultural Products Nigeria Limited: 2024 financial statements summary
- Exhibit 10: Consumer Watch Magazine's report on Nigeria's Farming practices extract

### Tomat Agricultural Products Nigeria Limited: Case Study requirement

You are **John Chukwudi**, writing the Professional level of ICAN examination. You are a Trainee in the firm of Zamani, Adeola & Co. (Chartered Accountants). You are reporting to David Zamani, a Partner in the firm.

#### Requirement

You are required to prepare a draft report, as set out in the email dated 17 April, 2025 from Tarfa Gambari to you (**Exhibit 5**). Your report should comprise the following:

- ▶ An executive summary
- ▶ Responses to the two detailed requirements set out in exhibit 5, including appropriate appendices.

State clearly any assumptions you have made. All workings should be attached to your answer. The following time allocation is suggested:

- |  |         |
|--|---------|
| ▶ Reading and planning                           | 1 hour  |
| ▶ Performing calculations and financial analyses | 1 hour  |
| ▶ Drafting report                                | 2 hours |

#### Marks allocation

All of the marks in the Case Study are awarded for the demonstration of professional skills, allocated broadly as follows:

Applied to the four elements of your report (as described above)		
▶ Assimilating and using information	20%	
▶ Structuring problems and solutions	20%	
▶ Applying judgement	20%	
▶ Drawing conclusions and making recommendations	<u>20%</u>	
		80%
Applied to your report as a whole:		
▶ Demonstrating integrative and multidisciplinary skills	10%	
▶ Presenting appropriate appendices	<u>10%</u>	
		<u>100%</u>

Of the total marks available, 20% are awarded for the executive summary and approximately 10% for the relevant discussion of ethical issues within your answer to the requirements.

Ensure that you address the two requirements in your report or failure to address any of the requirements, including not submitting an executive summary will adversely affect your chances of success. In addition, as indicated above, all four skills areas will be assessed under each of the four elements of your report. Accordingly, not demonstrating your judgement or failing to include appropriate conclusions and/or recommendations in your report will negatively affect your chances of success.

Email from David Zamani to John Chukwudi

**From:** David Zamani

**Sent:** 17 July 2025

**To:** John Chukwudi

**Subject:** Tomat Agricultural Products Nigeria Limited

As discussed during our weekly work plan meeting this morning, I will like you to work on the request of one of our agri-business clients, Tomat Agricultural Products Nigeria Limited (TAP).

The client wants us to review its financial performance for the past three years as well as the financial projections in respect of its proposed Tomatoes processing plant. We have in our files its financial reports for 2022 and 2023, while I am attaching the 2024 financial report summary to this email. Also attached to this email is the company's management's financial projections on the Tomatoes processing plant.

TAP will also want us to carry out a review of the business environment within which it is operating as a result of continuous changes in the business environment. The board wants to be sure that the business environment will not adversely affect the proposed Tomatoes processing plant. You will recollect that the firm's consulting arm carried out a review of the Nigeria's economic environment, as well as, a review of agri-business operating environment recently. You can contact Idris Sumaila, the Partner in charge of the consulting arm to give you a copy of the report. This will greatly assist you, as the report contains everything you need to know about the business's and agri-business operating environments.

I will, therefore, want you to prepare the following:

1. A review of the client's (TAP) financials for 2022 to 2024. Your review should focus on profitability, efficiency and financial stability, both in the short and long terms.
2. A report on the Nigerian economy's business environment, using PESTEL analysis. You are also, to evaluate the financial projections on TAP's proposed Tomatoes processing plant. The board is keenly interested in knowing how long it will take the company to recoup its investments in the plant. Therefore, the board has proposed that we use discounted payback period to analyse the financial projections, as this will also enable them to consider the time value of money.

I hope to send my final report to TAP's board within the next four weeks, therefore, I will like to receive your report on this assignment in the next three weeks. This will allow me to carry out a review of the report and clear any grey areas with you, before I send it to the client. As usual, I think I can count on you for a timely completion of this assignment.

David



**Email from Tola Abioye of Tomat to David Zamani**

**From:** Tola Abioye  
**Sent:** 17 July 2025  
**To:** David Zamani

**Subject: Financial Advice**

Hi David, it has been sometimes. I have been very busy lately because of the company's next project which the board wants to finalise this current financial year. You know, that this project has been on the drawing board in the past two years.

And as usual, the board has nominated your firm to be our financial adviser for this project. Therefore, I am sending you details of the project along with this email. Also attached to this email are, our draft financial statements summary for 2024 and our industry analysis and strategic thrust, as I believe they will give you an insight into the strategies we have put in place to achieve our strategic objective. I believe you must have in your files our 2022 and 2023 financial statements.

The board will like your firm to carry out a review of our financials for the past three years, focusing on profitability, efficiency and financial stability, both in the short and long terms. Also, the board wants you to review the Nigerian economy's business environment, using PESTEL analysis, in addition to the evaluation of our Tomatoes Processing Project. The board is keenly interested in knowing how long it will take the company to recoup its investments in the plant. Therefore, the board has proposed that we use discounted payback period to analyse the financial projections, as this will also enable the board to consider the time value of money.

I hope to receive your report in the next four weeks, so that I can submit it together with other papers for our next board meeting, coming up in six weeks' time.

Thanks for your usual assistance, and I believe, I can count on you this time as well.

Tola

## Tomat Agricultural Products Nigeria Limited: Industry analysis and strategic thrust

Tomat Agricultural Products Nigeria Limited (TAP) was incorporated in 2020, as an agricultural products processing company, taking advantage of the government's pioneer company tax incentives. The company has been operating successfully since incorporation and has been processing agricultural products, like pineapple, oranges, mangoes into juices. In response to the current shortage of processed tomatoes in the country, as a result of scarcity and cost of foreign currency, the company decides to include tomato processing into its operations. The company intends to process fresh tomatoes into value-added products like, tomato paste, puree, sauce, and juice, aiming to reduce post-harvest losses and contribute to food security in Nigeria.

### The industry

Nigeria, a major tomato-producing nation, faces significant challenges in its tomato processing industry, despite considerable opportunities. Post-harvest losses, inadequate infrastructure, and reliance on imports hinder growth. However, increasing demand for processed tomato products, government support, and entrepreneurial initiatives present promising avenues for development.

The following are the key opportunities and challenges within the Nigerian tomato processing sector and how Tomat's board plans to mitigate the challenges:

### Opportunities in the tomato processing industry:

**Growing demand for processed tomato products:** Nigeria's population is rapidly increasing, leading to a higher demand for processed tomato products like paste, puree, ketchup, and juice. Urbanisation and changing lifestyles contribute to a preference for convenient and ready-to-use food products.

**Import Substitution:** The Nigerian government has implemented policies to reduce reliance on imported tomato paste, creating opportunities for local processors to capture a larger market share. Government initiatives to support local production and processing encourage investment in the industry.

**Abundant tomato production potential:** Nigeria has the agro-ecological conditions suitable for large-scale tomato cultivation. Irrigation projects and improved farming practices can significantly increase tomato yields.

**Job creation and economic development:** Developing the tomato processing industry can generate employment opportunities across the value chain, from farming to processing, packaging, and distribution. Increased local production and processing can reduce foreign exchange expenditure on imports.

**Regional export potential:** Nigeria can leverage its position as a major tomato producer to export processed tomato products to neighbouring West African countries.

Trade agreements and regional integration initiatives facilitate cross-border trade.

**Government support and incentives:** The Nigerian government offers various incentives, including tax breaks, subsidies, and access to credit, to encourage investment in agriculture and agro-processing.

Public-private partnerships (PPPs) can be leveraged to develop infrastructure and processing facilities.

**Technological advancements:** Adoption of modern processing technologies can improve efficiency, reduce waste, and enhance the quality of processed tomato products. Innovative packaging solutions can extend the shelf life of processed products and reduce post-harvest losses.

### **Challenges facing the tomato processing industry**

**Post-harvest losses:** Inadequate storage facilities, poor transportation infrastructure, and a lack of processing facilities lead to significant post-harvest losses, estimated to be as high as 40-60%. Perishable nature of tomatoes requires efficient handling and processing to minimise spoilage.

**Inadequate Infrastructure:** Lack of reliable electricity, water supply, and transportation networks hinders the development of processing facilities in rural areas. Poor road infrastructure increases transportation costs and prolongs delivery times.

**High production costs:** High costs of inputs like fertilisers, pesticides, and irrigation equipment increase the cost of tomato production. Reliance on imported processing equipment and packaging materials increases the cost of processing.

**Limited access to finance:** Small-scale farmers and processors often face difficulties in accessing credit and financing to expand their operations. High interest rates and stringent collateral requirements limit access to formal financial institutions.

**Competition from imports:** Subsidised imported tomato paste often undercuts locally processed products, making it difficult for local processors to compete. Inconsistent quality of locally processed products can lead to consumer preference for imported brands.

**Quality and standards:** Ensuring consistent quality and meeting international standards is a challenge for many local processors. Lack of adequate testing and certification facilities hinders compliance with quality standards.

**Lack of technical skills:** Shortage of skilled personnel in areas such as processing, packaging, and quality control limits the efficiency and competitiveness of the industry.

Inadequate training programmes and extension services for farmers and processors.

**Security concerns:** Nigeria's agricultural sector, a critical component of its economy and a major source of employment, is being significantly undermined by the intertwined challenges of insurgency, banditry, and conflicts involving Fulani herdsman. These security threats, while distinct in their origins and modalities, converge to create a climate of fear and instability that severely disrupts agricultural production, distribution, and investment. This insecurity affects some tomato-producing regions, disrupts farming activities and hinders the transportation of tomatoes to processing facilities. Farmer-herder conflicts, banditry and insurgence can also lead to destruction of tomato farms and loss of livelihoods.

### **Tomato's response to the challenges in the industry**

TAP will adopt an integrated approach encompassing sourcing, processing, marketing, and community engagement.

## **Sourcing and supply chain management:**

**Contract farming:** Partnering with local farmers in major tomato-producing regions through contract farming agreements. These agreements specify quality standards, quantity, and pricing, guaranteeing a market for farmers and ensuring a consistent supply of high-quality tomatoes for TAP.

**Farmer support programmes:** Providing farmers with access to improved seeds, fertilizers, training on best agricultural practices, and credit facilities through partnerships with microfinance institutions. This improves yields and reduces post-harvest losses at the farm level.

**Cold chain logistics:** Investing in refrigerated trucks and establishing collection centres near farming communities, to minimise spoilage during transportation.

**Traceability system:** Implementing a traceability system that allows tracking the origin and quality of tomatoes from farm to finished product, building consumer trust and ensuring product safety.

## **Processing plant and technology**

**Strategic Location:** Establishing the processing plant in Kano State, a major tomato-producing region, to minimise transportation costs and proximity to farmers.

**Modern processing equipment:** Investing in state-of-the-art tomato processing equipment, including washing, sorting, crushing, pulping, evaporation, sterilisation, and packaging lines. The equipment is selected for its efficiency, hygiene, and ability to handle large volumes of tomatoes.

**Quality control:** Implementing a rigorous quality control system throughout the process, adhering to international standards (e.g., HACCP, ISO 22000) to ensure product safety and quality.

**Water management:** Implementing a water recycling system to minimize water usage and reduce wastewater discharge.

**Waste management:** Converting tomato waste (e.g., skins, seeds) into valuable by-products, like animal feed or organic fertilizer, minimising environmental impact and generating additional revenue.

**Energy efficiency:** Exploring the use of solar power to supplement grid electricity and reduce energy costs.

## **Tomat's proposed product portfolio**

Tomat plans to introduce the following tomato base products into the market:

**Tomato paste:** Offering tomato paste in various package sizes (e.g., sachets, cans, jars) to cater for different consumer segments and price points.

**Tomato puree:** Producing tomato puree for direct consumption or as an ingredient in other food products.

**Tomato sauce:** Manufacturing ready-to-use tomato sauce in various flavours and spice levels.

**Tomato juice:** Offering fresh and healthy tomato juice as a nutritious beverage option.

## **Marketing and distribution**

**Branding:** Creating a strong brand identity that emphasises the product's quality, freshness, and locally sourced ingredients.

**Distribution network:** Establishing a wide distribution network through wholesalers, retailers, supermarkets, and online platforms.

**Marketing campaigns:** Launching marketing campaigns to create awareness and promote the brand through television, radio, print, and social media channels.

**Partnerships:** Collaborating with restaurants, caterers, and food processing companies to secure bulk orders and expand market reach.

**Export opportunities:** Exploring export opportunities to neighbouring countries and the international market, capitalising on the growing demand for tomato products.

### **Community engagement**

**Job creation:** Creating employment opportunities in the processing plant and related industries, contributing to economic development in the local community.

**Skills development:** Providing training to local farmers and employees on best agricultural and processing practices.

**Community development projects:** Supporting community development projects in areas, like education, healthcare, and infrastructure.

## **Tomat Agricultural Products Nigeria Limited: The tomatoes processing project**

### **Production Plan**

#### **Tomato sourcing**

Contract farming: Partner with 500 farmers in Kano State and neighbouring states.

Target yield: 20 tons of tomatoes per hectare.

Total tomato requirement: 1,250 tons per annum

Sourcing strategy: Prioritise contract farming and supplement with open market purchases, as needed.

#### **Processing capacity**

Initial capacity: 5 tons of fresh tomatoes per day (This can be scaled up in subsequent years based, on demand).

Operating Days: 250 days per year (allowing for maintenance and seasonal adjustments).

Total tomato processing capacity: 1,250 tons per year (5 tons/day x 250 days/year). This capacity is less than the target tomato requirement, allowing for selection of best-quality tomatoes.

Product output (estimated based on processing capacity and conversion rates of 4:1 from fresh tomatoes to each of the four products):

- i. Tomato paste: 500 tons (Approximately 40% of the processed tomato volume).
- ii. Tomato puree: 300 tons (Approximately 24% of the processed tomato volume).
- iii. Tomato sauce: 250 tons (Approximately 20% of the processed tomato volume).
- iv. Tomato juice: 200 tons (Approximately 16% of the processed tomato volume).

### **Outputs**

Yield from processing have been estimated as follows:

- i. Tomato paste: 150kgs per ton of processed tomatoes;
- ii. Tomato puree: 600 kgs per ton of processed tomatoes;
- iii. Tomato sauce: 600 litres per ton of processed tomatoes; and
- iv. Tomato juice: 750 litres per ton of processed tomatoes.

### **Production schedule**

Planting season: Coordinate planting season with farmers to ensure a consistent supply of tomatoes during the processing season.

Processing season: Concentrate processing activities during the peak tomato harvesting season (typically dry season in Nigeria).

Maintenance schedule: Schedule regular maintenance and cleaning of equipment to ensure optimal performance and hygiene.

### **Quality control plan**

Raw material inspection: Inspect incoming tomatoes for quality, ripeness, and absence of defects.

In-process quality checks: Monitor key processing parameters (e.g., temperature, pH, viscosity) to ensure product quality and consistency.

Finished product testing: Conduct laboratory tests on finished products to verify compliance with quality standards and regulatory requirements.

### **Inventory management**

Raw material inventory: Minimise storage costs.

### **Key Performance Indicators (KPIs)**

**Tomato sourcing cost:** Track the cost of sourcing tomatoes from contract farmers and the open market.

**Processing cost:** Monitor the cost of processing tomatoes into finished products.

**Production volume:** Track the weight/volume of tomatoes processed and finished products produced.

**Sales revenue:** Monitor sales revenue from each product category.

**Market share:** Track the company's market share in the tomato processing industry.

**Customer satisfaction:** Measure customer satisfaction through surveys and feedback mechanisms.

### **Financial projections**

#### **Processing plant**

The cost of the plant has been estimated at ₦250m.

#### **Distribution trucks**

Estimated to cost ₦100m

#### **Working capital:**

Additional working capital is put at ₦50m

#### **Processing costs**

- i. Raw materials – tomatoes -approximately 45% of sales revenue;

- ii. Additives - Approximately 1% of sales revenue;
- iii. Labour – Estimated at 5% of sales revenue;
- iv. Factory overheads – Estimated at 4% of sales revenue. This is exclusive of depreciation of processing plant.

### **Distribution and marketing**

Estimated costs of distribution, excluding depreciation of distribution trucks is 2.5% of sales revenue.

### **Administrative overheads**

Estimated as follows:

- i. Head office overheads ~~N~~5m – allocation from head office per annum
- ii. Tomatoes processing plant – ~~N~~10m per annum.

### **Revenue**

The selling price for each of the products has been estimated as follows:

- i. Tomato paste: ~~N~~15,000 per kg
- ii. Tomato puree: ~~N~~4,000 per kg
- iii. Tomato sauce: ~~N~~2,500 per litre
- iv. Tomato juice: ~~N~~1,500 per litre

### **Financing**

The company's current estimated weighted average cost of capital is 20%. The board has also decided that the company should recoup its investment on this project within the first five years of its coming on stream.



**Tomat Agricultural Products Nigeria Limited**  
**Statement of financial position as at 31 December:**

	<b>2024</b>
	<b>₦million</b>
Assets	
Property, plant and equipment	1,614.2
Right of use asset	11.5
Intangible assets	25.4
Investment property	<u>213.3</u>
	1,864.4
Inventories	2,063.8
Trade and other receivables	244.4
Deposit for imports	-
Prepayments and advances	124.9
Other financial assets	279.4
Cash and cash equivalent	<u>132.3</u>
	<u>2,844.9</u>
Total assets	<u>4,709.3</u>
Equity	
Share capital	90.6
Share premium	396.9
Retained earnings	<u>1,922.4</u>
Total equity	2,409.9
	-
Non-current liabilities	-
Loans and borrowings	<u>527.3</u>
	527.3
Current liabilities	
Loans and borrowings	73.8
Current tax liabilities	303.6
Trade and other payables	<u>1,394.7</u>
	1,772.1
Total liabilities	<u>2,299.4</u>
Total equity and liabilities	<u>4,709.3</u>

**Tomat Agricultural Products Nigeria Limited**  
**Statement of profit or Loss**

	<b>2024</b>
	<b>₦million</b>
Revenue	6,712.2
Cost of sales	<u>(4,324.8)</u>
Gross profit	2,387.4
Other income	79.3
Selling and distribution expenses	(430.6)
Administrative expenses	<u>(1,334.0)</u>
Operating profit	702.1
Finance income	26.0
Finance costs	(20.1)
Profit before tax	708.1
Income tax expense	( 323.7)
Profit for the year	<u><u>384.4</u></u>

**Extract from Consumer Watch Magazine's report on farming practices in Nigeria**

In a feature article by Consumer Watch Magazine on Nigerian Farming Practices, the following extract has been culled out:

*"Most farmers, both peasant and commercial, especially, in Northern Nigeria use minors as farm hands, under harsh weather conditions and sometimes in tattered dresses.*

*The children ought to be in school, but they are mostly found on the farm.*

*The time for the government to act decisively on this is now. The child right must be enforced. No child should be denied right to education and decent living".*

The above report has been giving the board of TAP serious concern on what should be the company's response to this, as the company heavily depends on farm produce, much more now, that it is going into tomatoes processing.