



DANGOTE CEMENT PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2013

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF DANGOTE CEMENT PLC

We have audited the accompanying consolidated and separate financial statements of **Dangote Cement Plc and its subsidiaries**, set out on pages 3 to 57 which comprise the consolidated and separate statement of financial position as at 31 December 2013, consolidated and separate profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, consolidated and separate statement of cash flows and consolidated and separate statement of value added for the year then ended, and a summary of the significant accounting policies, financial summary and other explanatory information.

Directors' Responsibility for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, No 6, 2011, the International Financial Reporting Standards and for such internal control as the Directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of **Dangote Cement Plc and its subsidiaries** as at 31 December 2013, and of its financial performance and cash flows for the year then ended; the Company and its subsidiaries have kept proper books of account, which are in agreement with the consolidated and separate statement of financial position and consolidated and separate statement of profit or loss and other comprehensive income in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, No 6, 2011 and International Financial Reporting Standards.

Uche Erobu, FCA – FRC/2013/ICAN/00000000871
for: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
25 March, 2014

Tajudeen Oni, FCA – FRC/2013/ICAN/00000000749
for: Ahmed Zakari & Co
Chartered Accountants
Lagos, Nigeria
25 March, 2014

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS**

The Directors of **DANGOTE CEMENT PLC** are responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and Company as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, No 6, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2013 were approved by the directors on 19 March 2014.

On behalf of the Directors of the Group

Chairman, Board of Directors

Director

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group		Company	
		Year ended 31/12/13 N'000	Year ended 31/12/12 N'000	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000
Revenue	5	386,177,220	298,454,068	371,551,567	285,635,278
Cost of sales	7	(142,517,068)	(118,304,340)	(127,937,269)	(106,326,020)
Gross profit		243,660,152	180,149,728	243,614,298	179,309,258
Administration expenses	8	(25,993,138)	(22,953,374)	(20,079,595)	(20,789,983)
Selling and distribution expenses	9	(23,509,086)	(15,104,982)	(23,182,545)	(14,789,012)
Other income	11	1,724,477	4,400,440	727,519	4,374,446
Profit from operating activities		195,882,405	146,491,812	201,079,677	148,104,709
Finance income	10	8,596,499	2,414,734	10,380,078	2,391,030
Finance costs	10	(13,717,542)	(13,258,957)	(11,448,932)	(12,407,023)
Profit before tax		190,761,362	135,647,589	200,010,823	138,088,716
Income tax credit	14	10,436,726	9,376,645	10,251,931	7,927,403
Profit for the year	**	201,198,088	145,024,234	210,262,754	146,016,119
Other comprehensive income, net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(4,800,187)	(2,037,809)	-	-
Items that will not be reclassified to profit or loss:					
Defined benefit plan actuarial gains/(losses)	27	280,490	(272,336)	280,490	(272,336)
Other comprehensive income for the year, net of income tax		(4,519,697)	(2,310,145)	280,490	(272,336)
Total comprehensive income for the year	**	196,678,391	142,714,089	210,543,244	145,743,783
Profit for the year attributable to:					
Owners of the Company	**	201,912,292	145,111,711	210,262,754	146,016,119
Non-Controlling interests	**	(714,204)	(87,477)	-	-
	**	201,198,088	145,024,234	210,262,754	146,016,119
Total comprehensive income for the year attributable to:					
Owners of the Company	**	198,883,980	143,395,513	210,543,244	145,743,783
Non-Controlling interests	**	(2,205,589)	(681,424)	-	-
	**	196,678,391	142,714,089	210,543,244	145,743,783
Earnings per share, basic and diluted (Naira)	13	11.85	8.52	12.34	8.57

** represents prior year figures restated during the reporting year due to changes in deferred tax. (see Note 14)

The accompanying notes and non-IFRS statements are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31/12/13 N'000	Group 31/12/12 N'000	1/1/12 N'000	31/12/13 N'000	Company 31/12/12 N'000	1/1/12 N'000
ASSETS							
Non-current assets							
Property, plant and equipment	15	581,465,116	478,091,577	397,711,068	452,046,889	377,864,231	348,844,271
Intangible assets	16	2,306,170	1,726,734	1,797,127	672,190	848	8,650
Investments	17	389	-	50	25,207,676	25,096,917	27,622,401
Deferred tax asset	14	19,635,374	9,471,533	-	18,359,111	8,107,066	-
Prepayments and other assets	18	91,715,470	45,015,692	52,395,768	23,950,013	21,062,209	25,650,934
Receivables from subsidiaries	29	-	-	-	164,524,881	85,925,971	70,227,221
Total non-current assets	**	695,122,519	534,305,536	451,904,013	684,760,760	518,057,242	472,353,477
Current assets							
Inventories	19	27,667,288	32,477,938	14,350,529	23,576,746	30,853,539	13,438,142
Trade and other receivables	20	10,266,053	15,776,078	18,530,318	7,898,802	4,990,785	3,394,812
Due from related parties	29	2,632,216	4,121,465	6,044,944	2,246,118	4,121,464	4,327,317
Prepayments and other assets	18	37,013,616	27,094,397	4,868,396	34,552,454	24,279,076	4,811,904
Cash and cash equivalents	30	70,501,583	44,425,319	22,836,467	67,442,862	41,698,513	17,771,523
Total current assets	**	148,080,756	123,895,197	66,630,654	135,716,982	105,943,377	43,743,698
TOTAL ASSETS	**	843,203,275	658,200,733	518,534,667	820,477,742	624,000,619	516,097,175
EQUITY AND LIABILITIES							
Equity							
Share capital	21	8,520,254	8,520,254	7,745,685	8,520,254	8,520,254	7,745,685
Share premium	21	42,430,000	42,430,000	42,430,000	42,430,000	42,430,000	42,430,000
Capital contribution	24c	2,876,642	2,876,642	2,876,642	2,828,497	2,828,497	2,828,497
Currency translation reserve		(4,752,664)	(1,443,862)	-	-	-	-
Employee benefit reserve		(465,792)	(746,282)	(473,946)	(465,792)	(746,282)	(473,946)
Retained earnings	**	496,455,952	345,665,182	220,689,333	518,249,867	359,108,635	233,231,299
Equity attributable to owners of the company	**	545,064,392	397,301,934	273,267,714	571,562,826	412,141,104	285,761,535
Non-controlling interest		5,028,878	7,234,467	8,546,661	-	-	-
Total equity	**	550,093,270	404,536,401	281,814,375	571,562,826	412,141,104	285,761,535
Non-current liabilities							
Deferred tax liabilities	14	507,074	530,227	1,196,797	-	-	607,765
Borrowings	24	124,850,394	112,462,464	116,766,429	95,079,111	83,050,601	116,766,429
Provisions for liabilities and other charges	26	376,665	487,310	466,893	233,856	274,782	141,823
Retirement benefits obligation	27	1,962,640	1,743,676	1,372,514	1,962,640	1,743,676	1,372,514
Deferred revenue	25	1,868,501	2,410,391	1,090,176	1,868,501	2,410,238	1,090,176
Total non current liabilities	**	129,565,274	117,634,068	120,892,809	99,144,108	87,479,297	119,978,707
Current liabilities							
Bank overdraft	30	855,690	1,262,966	4,517,847	-	-	4,169,563
Trade and other payables	23	82,215,494	63,171,933	46,378,849	73,289,339	54,110,567	41,505,720
Current income tax payable	14	565,897	2,504,925	4,282,385	565,737	2,504,925	4,276,176
Deferred revenue	25	541,736	602,101	257,720	541,736	602,101	240,207
Borrowings	24	55,433,696	50,433,729	30,445,466	55,431,396	50,433,729	30,445,466
Due to related parties	29	23,932,218	18,054,610	29,945,216	19,942,600	16,728,896	29,719,801
		163,544,731	136,030,264	115,827,483	149,770,808	124,380,218	110,356,933
TOTAL EQUITY AND LIABILITIES	**	843,203,275	658,200,733	518,534,667	820,477,742	624,000,619	516,097,175

Aliko Dangote (GCON)
Chairman, Board of Directors
FRC No: FRC/2013/IODN/00000001766

D. V. G Edwin
M.D./CEO
FRC No: FRC/2013/NSE/00000002070

Olakunle Alake
Director
FRC No: FRC/2013/ICAN/00000002214

** represents prior year balances restated during the reporting year due to changes in deferred tax and reclassification of receivables from subsidiaries under non-current assets. (see Notes 14 & 29)

The accompanying notes and non-IFRS statements are an integral part of these consolidated and separate financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital N'000	Share premium N'000	Retained earnings N'000 **	Employee benefit reserve N'000	Currency translation reserve N'000	Capital contribution N'000	Attributable to the owners of the parent N'000 **	Non-Controlling Interests N'000	Total equity N'000 **
Balance as at January 1, 2012 (as previously reported)	7,745,685	42,430,000	229,245,844	(473,946)	-	2,876,642	281,824,225	8,546,661	290,370,886
Adjustment (Note 14.4)	-	-	(8,556,511)	-	-	-	(8,556,511)	-	(8,556,511)
Balance as at January 1, 2012 (Restated)	<u>7,745,685</u>	<u>42,430,000</u>	<u>220,689,333</u>	<u>(473,946)</u>	<u>-</u>	<u>2,876,642</u>	<u>273,267,714</u>	<u>8,546,661</u>	<u>281,814,375</u>
Profit for the year (as previously reported)	-	-	152,020,690	-	-	-	152,020,690	(87,477)	151,933,213
Adjustment (Note 14.4)	-	-	(6,908,979)	-	-	-	(6,908,979)	-	(6,908,979)
Profit for the year (Restated)	-	-	145,111,711	-	-	-	145,111,711	(87,477)	145,024,234
Other comprehensive income for the year, net of income tax	-	-	-	(272,336)	(1,443,862)	-	(1,716,198)	(593,947)	(2,310,145)
Total comprehensive Income for the year	<u>-</u>	<u>-</u>	<u>145,111,711</u>	<u>(272,336)</u>	<u>(1,443,862)</u>	<u>-</u>	<u>143,395,513</u>	<u>(681,424)</u>	<u>142,714,089</u>
Effect of acquisition of subsidiaries under common control	-	-	2,921	-	-	-	2,921	(630,770)	(627,849)
Bonus shares	774,569	-	(774,569)	-	-	-	-	-	-
Dividends paid	-	-	(19,364,214)	-	-	-	(19,364,214)	-	(19,364,214)
Balance as at 1 January 2013	8,520,254	42,430,000	345,665,182	(746,282)	(1,443,862)	2,876,642	397,301,934	7,234,467	404,536,401
Profit for the year	-	-	201,912,292	-	-	-	201,912,292	(714,204)	201,198,088
Other comprehensive income for the year, net of income tax	-	-	-	280,490	(3,308,802)	-	(3,028,312)	(1,491,385)	(4,519,697)
Total comprehensive Income for the year	<u>-</u>	<u>-</u>	<u>201,912,292</u>	<u>280,490</u>	<u>(3,308,802)</u>	<u>-</u>	<u>198,883,980</u>	<u>(2,205,589)</u>	<u>196,678,391</u>
Dividends paid	-	-	(51,121,522)	-	-	-	(51,121,522)	-	(51,121,522)
Balance as at December 31, 2013	<u>8,520,254</u>	<u>42,430,000</u>	<u>496,455,952</u>	<u>(465,792)</u>	<u>(4,752,664)</u>	<u>2,876,642</u>	<u>545,064,392</u>	<u>5,028,878</u>	<u>550,093,270</u>

** represents prior year figures restated during the reporting year due to changes in deferred tax. (see Note 14)

The accompanying notes and non-IFRS statements are an integral part of these consolidated and separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital N'000	Share premium N'000	Capital Contribution N'000	Retained earnings N'000 **	Employee benefit reserve N'000	Total equity N'000 **
Balance as at January 1, 2012 (as previously reported)	7,745,685	42,430,000	2,828,497	241,787,810	(473,946)	294,318,046
Adjustment (Note 14.4)	-	-	-	(8,556,511)	-	(8,556,511)
Balance as at January 1, 2012 (Restated)	<u>7,745,685</u>	<u>42,430,000</u>	<u>2,828,497</u>	<u>233,231,299</u>	<u>(473,946)</u>	285,761,535
Profit for the year (as previously reported)	-	-	-	152,925,098	-	152,925,098
Adjustment (Note 14.4)	-	-	-	(6,908,979)	-	(6,908,979)
Balance as at January 1, 2012 (Restated)	-	-	-	146,016,119	-	146,016,119
Other comprehensive income for the year, net of income tax	-	-	-	-	(272,336)	(272,336)
Total comprehensive income for the year	-	-	-	146,016,119	(272,336)	145,743,783
Bonus Shares	774,569	-	-	(774,569)	-	-
Payment of dividends	-	-	-	(19,364,214)	-	(19,364,214)
Balance as at December 31, 2012	<u>8,520,254</u>	<u>42,430,000</u>	<u>2,828,497</u>	<u>359,108,635</u>	<u>(746,282)</u>	<u>412,141,104</u>
Profit for the year				210,262,754		210,262,754
Other comprehensive income for the year, net of income tax	-	-	-	-	280,490	280,490
Total comprehensive income for the year	-	-	-	210,262,754	280,490	210,543,244
Dividends paid	-	-	-	(51,121,522)	-	(51,121,522)
Balance as at December 31, 2013	<u>8,520,254</u>	<u>42,430,000</u>	<u>2,828,497</u>	<u>518,249,867</u>	<u>(465,792)</u>	<u>571,562,826</u>

** represents prior year figures restated during the reporting year due to changes in deferred tax. (see Note 14)

The accompanying notes and non-IFRS statements are an integral part of these consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	Note	Group		Company	
		Year ended 31/12/13 N'000	Year ended 31/12/12 N'000	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000
Cash flows from operating activities					
Profit before tax		190,761,362	135,647,589	200,010,823	138,088,716
Changes in working capital					
Adjustments for:					
Depreciation		33,556,172	27,593,659	32,028,158	27,267,634
Write off of property, plant and equipment		40,909	399,202	28,492	397,436
Amortisation of intangible assets		149,335	27,140	136,997	7,801
Impairment loss on investment and receivables from related parties		-	2,026,828	-	2,026,828
Finance cost		12,351,894	12,425,621	11,094,895	12,210,419
Interest income		(5,630,349)	(2,213,027)	(10,380,078)	(2,189,323)
Amortisation of deferred revenue		(602,255)	(558,636)	(602,101)	(541,277)
Provision for restoration		(110,645)	20,417	(40,926)	132,959
Provisions for employee benefits		1,128,660	616,505	1,128,660	616,505
Gain on disposal of property, plant and equipment		(103,264)	-	(85,450)	-
Amortisation of long term prepayment - gas pipeline		-	4,283,001	-	4,283,001
		231,541,819	180,268,299	233,319,470	182,300,699
Changes in working capital:					
Change in inventory		4,810,651	(12,829,351)	7,276,792	(12,117,341)
Change in trade and other receivables	**	23,063,013	(23,362,348)	14,290,812	(22,188,716)
Change in due from related parties	**	1,489,249	(323,793)	1,875,346	(2,041,415)
Change in due to related parties		5,877,608	(12,626,835)	3,213,703	(13,727,132)
Change in trade and other payables		17,520,888	17,097,699	18,546,111	12,909,466
Gratuity and pension paid		(629,206)	(517,677)	(629,206)	(517,677)
Income tax paid		(1,935,748)	(2,538,919)	(1,939,301)	(2,558,679)
Net cash generated from operating activities	**	281,738,274	145,167,075	275,953,727	142,059,205
Investing activities					
Interest received		5,630,349	2,213,027	5,450,373	2,189,323
Additions to intangible assets		(442,212)	(64,978)	(222,590)	-
Acquisition of property, plant and equipment		(139,966,242)	(129,068,608)	(99,116,814)	(76,043,345)
Proceeds from disposal of property, plant and equipment		11,248	10,902,824	11,248	10,902,824
Acquisition of investment		(389)	-	(389)	-
Changes in non-current prepayment	**	(40,799,285)	7,380,076	(2,887,804)	4,588,725
Increase in long term receivables from subsidiaries	**	-	-	(71,853,488)	(15,698,751)
Net cash used in investing activities	**	(175,566,527)	(108,637,659)	(168,619,464)	(74,061,224)
Financing activities					
Interest paid		(12,019,482)	(12,072,027)	(11,762,862)	(11,856,826)
Dividend paid		(51,121,522)	(19,364,214)	(51,121,522)	(19,364,214)
Loans obtained		21,403,960	59,911,863	15,919,867	30,500,000
Loans repaid		(34,625,397)	(39,180,384)	(34,625,397)	(39,180,388)
Net cash used in financing activities		(76,362,441)	(10,704,762)	(81,589,914)	(39,901,428)
Increase in cash and cash equivalent		29,809,302	25,824,654	25,744,349	28,096,553
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,325,762)	(980,921)	-	-
Cash and cash equivalents at beginning of year		43,162,353	18,318,620	41,698,513	13,601,960
Cash and cash equivalents at end of year	30.1	69,645,893	43,162,353	67,442,862	41,698,513

** represents prior year cash flows restated.

The accompanying notes and non-IFRS statements are an integral part of these consolidated and separate financial statements

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. General Information

Dangote Cement Plc (“the Company”) was incorporated in Nigeria as a public limited liability company on 4 November, 1992 and commenced operations in January 2007 under the name Obajana Cement Plc. The name was changed on 14 July 2010 to Dangote Cement Plc.

Its parent company is Dangote Industries Limited (“DIL” or “the Parent Company”). Its ultimate controlling party is Alhaji Aliko Dangote.

The registered address of the Company is located at 1 Alfred Rewane Road, Ikoyi, Lagos, Nigeria.

The principal activity of the Company and its subsidiaries (together referred to as “the Group”) is to operate plants for the preparation, manufacture, and distribution of cement and related products. The Company’s production activities are currently undertaken at Obajana town in Kogi State, Gboko in Benue State and Ibese in Ogun State; all in Nigeria. Information in respect of the subsidiaries locations is disclosed in Note 17.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the results and financial position of the Company and its subsidiaries.

The separate financial statements of the Company for the year ended 31 December 2013 comprise those of the Company only.

These consolidated and separate financial statements for the year ended 31 December 2013 have been approved for issue by the Directors on 19 March 2014.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.0.1 Statement of compliance

The Company’s full financial statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together “IFRS”) that are effective at 31 December 2013 and requirements of the Companies and Allied Matters Act (CAMA) of Nigeria and the Financial Reporting Council (FRC) Act of Nigeria.

2.0.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2.1.1 Basis of Consolidation

The Group financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company and its subsidiaries made up to 31 December 2013. Control is achieved where the investor; (i) has power over the investee entity (ii) is exposed, or has rights, to variable returns from the investee entity as a result of its involvement, and (iii) can exercise some power over the investee to affect its returns.

The Company reassesses whether or not it still controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.1.1 Basis of Consolidation (continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners' of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment that has been recognised in profit or loss.

2.1.2 Transactions eliminated on consolidation

All intra-group balances and any gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.2 Non-controlling interest

Non-controlling interest is the equity in a subsidiary or entity controlled by the Company, not attributable, directly or indirectly, to the parent company and is presented separately [in the consolidated statement of profit or loss and other comprehensive income] and within equity in the consolidated statement of financial position. Total comprehensive income attributable to non-controlling interests is presented on the line "Non-controlling interests" in the statement of financial position, even if it can create negative non-controlling interests.

2.3 Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that were under the control of the shareholder that controls the Group are accounted prospectively as at the date that transfer of interest was effected. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The difference between the consideration paid and the net assets acquired is accounted for directly in equity.

2.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in the subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, Value Added Tax and volume rebates.

2.4.1 Goods sold

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Amount related to shipping and handling whether included as part of sales price or billed separately is recorded as revenue, and costs incurred for shipping and handling are classified under "selling and distribution expenses."

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.4.2 Finance income

Finance income comprises interest income on short-term deposits with bank, dividend income, changes in the fair value of financial assets at fair value through profit or loss and foreign exchange gains.

Dividend income from investments is recognised in profit and loss when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income on short-term deposits is recognised by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.5 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest rate used to determine the amount of capitalized interest cost is the actual interest rate when there is a specific borrowing facility related to construction project or the Group's average borrowing interest rate. Borrowing costs relating to the period after acquisition, construction or production are expensed. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The borrowing costs capitalised may not exceed the actual interest incurred by the Group.

2.6 Foreign currency

2.6.1 Functional and presentation currency

These consolidated and separate financial statements are presented in the Nigerian Naira (N), which is the Group's functional currency. All financial information presented in Naira has been rounded to the nearest thousand unless where otherwise stated.

2.6.2 Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2.10.5); and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2.6.3 Foreign operations

In the Group's consolidated financial statements, all assets and liabilities of Group entities with a functional currency other than the Naira are translated into Naira upon consolidation. On consolidation, assets and liabilities have been translated at the closing rate at the reporting date. Income and expenses have been translated into the Naira at the average rate over the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences are charged/credited to other comprehensive income and recognized in currency translation reserve in equity. The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income "Foreign currency translation adjustments". On the partial or total disposal of a foreign entity with a loss of control, the related share in the cumulative translation differences recognised in equity is recognised in the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.7 Property, plant and equipment

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Property, plant and machinery under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including borrowing costs on qualifying assets in accordance with the Group's accounting policy and the estimated costs of dismantling and removing the items and restoring the site on which they are located, if the Group has a legal or constructive obligation to do so.

Such assets are classified to the appropriate categories of property, plants and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

When parts of an item of property, plant and equipment have different useful lives and are individually significant in relation to total cost of an item, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The cost of day to day servicing of the property plant and equipment is recognised in profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7.1 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value (except for freehold land and properties under construction). Depreciation is recognized within "Cost of sales" and "Administrative and selling expenses," depending on the utilization of the respective assets on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term in which case the assets are depreciated over their useful life on the same basis as owned assets. Strategic spare parts with high value and held for commissioning of a new plant or for infrequent maintenance of plants are capitalised and depreciated over the shorter of their useful life and the remaining life of the plant from the date such strategic spare parts are capable of being used for their intended use.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of plant are charged to profit or loss on consumption or as incurred respectively.

	Life (years)
Leasehold land improvement	Over the lease period
Buildings	25
Plant and machinery	10 - 25
Power plants	5 – 25
Cement plants	5 – 25
Motor vehicles	4
Computer hardware	3
Furniture and equipment	5
Aircraft and related components	5 – 25

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.8.1 Intangible assets

In accordance with criteria set out in IAS 38 – “Intangible assets”, intangible assets are recognised only if identifiable; controlled by the entity because of past events; it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets primarily include amortizable items such as software, mineral rights, as well as certain development costs that meet the IAS 38 criteria.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortized using the straight-line method over their useful lives ranging from two to seven years. Amortization expense is recorded in “Cost of sales” and “Selling and distribution expenses” or administrative expenses, based on the function of the underlying assets. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Exploration assets are carried at cost less any impairment losses. All costs, including overhead costs directly associated with the specific project are capitalised. The directors evaluate each project at each period end to determine if the carrying value should be written off. In determining whether expenditure meet the criteria to be capitalised, the directors use information from several sources, depending on the level of exploration.

Purchased exploration and evaluation assets are recognised at the cost of acquisition or at the fair value if purchased as part of a business combination. Exploration assets are not amortised as it will only be available for use once transferred to the development cost of the project.

When the technical and commercial feasibility of a project has been established, the relevant exploration assets are transferred to development costs. No further exploration costs for the project will be capitalised. The costs transferred to development costs will be amortised over the life of the project based on the expected flow of economic resources associated with the project.

2.8.2 Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.8.3 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value, with appropriate provisions for old and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined as follows:

Raw Materials

Raw Materials which include purchase cost and other costs incurred to bring the materials to their location and condition are valued using a weighted average cost basis.

Work in progress

Cost of work in progress includes cost of raw material, labour, production and attributable overheads based on normal operating capacity. Work in progress is valued using a weighted average cost basis.

Finished goods

Cost is determined using the weighted average method and includes cost of material, labour, production and attributable overheads based on normal operating capacity.

Spare parts and consumables

Spare parts which are expected to be fully utilized in production within the next operating cycle and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks.

2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised in the consolidated and separate statements of financial position when a member of the Group or the Company becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying amount unless financial instruments at fair value through profit or loss. For financial instruments classified as FVTPL transaction costs incurred are recognized in profit and loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned. The Group does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). The Group does not have any financial assets classified as available for sale or held to maturity.

2.10.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), (of which financial instruments are further classified as either held for trading ("HFT") or designated at fair value through profit or loss' (FVTPL)), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables' (which include amounts to related parties, loans and receivables). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2.10.2 Cash and cash equivalents

The Group considers all highly liquid unrestricted investments with less than three months maturity from the date of acquisition to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.10.3 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the effect of discounting is immaterial.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.10.4 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

2.10.5 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a member of the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.10.5.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

2.10.5.2 Financial liabilities

Financial liabilities are classified as either FVTPL or 'other financial liabilities' (which include loans from banks and related parties and trade and other payables).

The Group subsequently measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method.

2.10.6 Derivative financial instruments

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are initially measured at fair value at the date the derivative contracts are entered into. Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised at each reporting date either in profit and loss or, in the case of a cash flow hedge or net investment hedge, in other comprehensive income, net of tax. For hedging instruments, the timing of recognition in the profit or loss depends on the nature of the hedge relationship. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

2.10.7 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.10.8 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10.9 Effective interest method

The effective interest method is a method of calculating the amortised cost of an interest bearing financial instrument and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.11 Impairment

2.11.1 Financial assets

A financial asset, other than at FVTPL, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the financial assets have had a negative effect on the estimated future cash flows of that asset.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of an equity security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period by 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss of an available for sale financial asset is calculated by reference to its current fair value. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.11.2 Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.12.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in future years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

2.12.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.12 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.13 Employee benefits

2.13.1 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided by the employee.

2.13.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.13.3 Defined benefit plans

Estimates of the Group's termination benefit obligations are calculated periodically, in accordance with the provisions of IAS 19– Employee Benefits, with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life expectancy and probable turnover of beneficiaries. The Group's obligations are discounted based upon appropriate discount rates.

Assets held by external entities to fund future benefit payments are valued at fair value at the reporting date. The current period expense comprises the increase in the obligation, which results from the additional benefits earned by employees in the period, and the interest expense, which results from the outstanding pension obligation. The amounts described above are reduced by the expected return on plan assets. The current period expense related to defined benefit a plan is recorded in "cost of sales" or "selling and administrative expenses" based on the beneficiaries of the plan). Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. The effect of plan amendments on the Group companies' obligations is, in general, recognised in the consolidated statement of profit and loss and other comprehensive income.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration costs

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to profit or loss. The Group recognizes its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

2.15 Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

2.16 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares as if the bonus shares were outstanding at the beginning of earliest period presented.

Diluted earnings per share are computed by dividing adjusted net income available to shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares. Potential dilutive common shares result from stock options and convertible bonds issued by the Company on its own common shares.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.17 Leases

In accordance with IFRIC 4 – Determining whether an arrangement contains a lease, arrangements including transactions that convey a right to use the asset, or where fulfilment of the arrangement is dependent on the use of a specific asset, are analysed in order to assess whether such arrangements contain a lease and whether the prescriptions of IAS 17 – Lease Contracts have to be applied.

Leases – as a lessee

In accordance with IAS 17, the Group capitalizes assets financed through finance leases where the lease arrangement transfers to the Group substantially all of the rewards and risks of ownership. Lease arrangements are evaluated based upon the following criteria:

- the lease term in relation to the assets' useful lives;
- the total future payments in relation to the fair value of the financed assets;
- existence of transfer of ownership;
- existence of a favourable purchase option; and
- specificity of the leased asset.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding lease obligations, excluding finance charges, are included in current or long-term financial liabilities as applicable.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.5 above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

All other leases are operating leases and they are not recognized on the Group's statement of financial position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Application of new and revised International Financial Reporting Standards (IFRSs)

3.1 New and revised IFRSs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Application of new and revised International Financial Reporting Standards (IFRSs)

3.1 New and revised IFRSs affecting amounts reported and/or disclosures in these financial statements (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has considered the requirements for the first time IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is explained below:

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over the subsidiaries in accordance with the new definition of control and the related guidance set out in IFRS 10. The directors concluded that it has had control over the subsidiaries since acquisition on the basis that the Company has the majority shareholding in the subsidiaries and there are no hindrances or arrangements that would give control to the non-controlling interest holders. Therefore, in accordance with the requirements of IFRS 10, the subsidiaries have been subsidiaries of the Company since 2011.

The directors of the Company decided that the application of this standard has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements since control over the subsidiaries still exist based on the requirement of IFRS 10

IFRS 11 Joint Arrangements;

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures.

The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The application of this standard had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements as the Group does not currently hold any Joint Arrangement contract.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Application of new and revised International Financial Reporting Standards (IFRSs)

3.1 New and revised IFRSs affecting amounts reported and/or disclosures in these financial statements (Continued)

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 17 for details).

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

"IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 28.7.2 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 – 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group restated some prior year figures which resulted in material changes to the information in the consolidated statement of financial position as at 1 January 2013. The Group has, therein, presented a third statement of financial position as at 1 January 2011 due to deferred tax restatement and other reclassification. See details in the Statement of financial position, Note 14 and Note 29.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Application of new and revised International Financial Reporting Standards (IFRSs)

3.1 New and revised IFRSs affecting amounts reported and/or disclosures in these financial statements (Continued)

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The application of this standard has had no impact on the amounts recognised in profit or loss and other comprehensive income in prior years.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs') and is applicable for accounting periods commencing on or after 1 January 2013. Under the Interpretation, the costs from this waste removal activity ('stripping') which provide improved access to ore is recognised as a non-current asset ('stripping activity asset') when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. An entity applies this Interpretation to production stripping costs incurred on or after the beginning of the earliest period presented.

The applications and provisions of IFRIC 20 have no effect on these consolidated and separate financial statements.

3.2 New and revised IFRSs in issue but not yet effective

- IFRS 9 Financial Instruments¹;
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – "Mandatory Effective Date of IFRS 9 and Transition Disclosures"¹;
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities²;
- Amendments to IAS 32 Financial Instruments: Presentation – "Offsetting Financial Assets and Financial Liabilities"²;

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9: Financial Instruments, issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9 Financial Instruments, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 Financial Instruments requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

3.2 New and revised IFRSs in issue but not yet effective (continued)

Key requirements of IFRS 9 (continued)

The Group anticipates that IFRS 9 Financial Instruments in the future may have a significant impact on amounts reported in respect of the Group's and Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 Financial Instruments until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 which define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

For an entity to qualify as an investment entity, such entity is required according to the standard to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The management of the Group revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the consolidated and separate financial statements is judgmental. The items, subject to judgment, are detailed in the corresponding notes to the consolidated and separate financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed below:

4.1 Critical accounting judgements

4.1.1 Control over subsidiaries

The management of the Company have assessed whether or not the Group has control over the subsidiaries based on whether the Group has the practical ability to direct the relevant activities of each subsidiary laterally. In making their judgement, the directors considered the Group's absolute size of holding in the subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of the subsidiaries and therefore the Group has control over them.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

4.2.1 Provision for restoration costs

Management of the Group exercises significant judgement in estimating provisions for restoration costs. Should these estimates vary, profit or loss and statement of financial position in the following years would be impacted.

4.2.2 Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Group uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 27.2.

4.2.3 Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2013 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods. For more details refer to Note 2.7.1.

4.2.4 Valuation of deferred tax

The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the group's future financial performance and if necessary, implementation of tax planning strategies.

	Group		Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
5 Revenue				
Revenue from sales of cement	385,653,425	297,880,094	371,551,567	285,635,278
Revenue from sales of ash	<u>599,906</u>	<u>573,974</u>	<u>-</u>	<u>-</u>
	386,253,331	298,454,068	371,551,567	285,635,278
Elimination/adjustment	<u>(76,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>386,177,220</u>	<u>298,454,068</u>	<u>371,551,567</u>	<u>285,635,278</u>

Sales after adjusting intra-group sales as shown above are from external customers

5.1 Information about major customers

Included in revenue arising from direct sales of cement of N385.7 billion (2012: N297.9 billion) is revenue of approximately N14.3 billion (2012: N17.1 billion) which arose from sales to the Group's largest customer.

No customer contributed 10% or more to the Group's revenue for both 2013 and 2012

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

6 Segment information

6.1 Products and services from which reportable segments derive their revenue

The Executive Management Committee is the Company's Chief Operating Decision Maker. Management has determined operating segments based on the information reported and reviewed by the Executive Management Committee for the purposes of allocating resources and assessing performance. The Executive Management Committee reviews internal management reports on at least a quarterly basis. These internal reports are prepared on the same basis as the accompanying consolidated and separate financial statements.

Segment information is presented in respect of the Group's reportable segments. For management purposes, the Group is organised into business units by geographical areas in which the Company operates and the countries that comprise such regions represent operating segments. The Company has 3 reportable segments based on location of the principal operations as follows:

- Nigeria
- West and Central Africa
- East and South Africa

All segments are involved in the production, distribution, and sale of cement and ash.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6.2 Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment. Performance is measured based on segment sales revenue and operating profit, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment revenue and operating profit are used to measure performance as management believes that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within these industries.

Revenue/operating profit/(loss)	Segment revenue		Segment operating profit/(loss)	
	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000
Nigeria	371,551,567	285,635,278	201,079,677	148,104,709
West and Central Africa	14,101,858	12,244,816	(4,169,725)	(803,048)
East and South Africa	599,906	573,974	(1,027,547)	(809,849)
	<u>386,253,331</u>	<u>298,454,068</u>	<u>195,882,405</u>	<u>146,491,812</u>
Elimination/adjustment	(76,111)	-	-	-
Consolidated segment revenue/operating profit/(loss)	<u>386,177,220</u>	<u>298,454,068</u>	<u>195,882,405</u>	<u>146,491,812</u>

Total segment operating profit agrees to the profit from operating activities. A reconciliation of profit from operating activities to profit before tax is presented on the face of the profit and loss account.

Other income/(expenses) and Profit/(loss) after tax	Other income		Profit/(loss) after tax	
	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000 **
Nigeria	727,519	4,374,446	210,262,754	146,016,119
West and Central Africa	962,319	1,288	(5,901,191)	(1,017,092)
East and South Africa	34,639	24,706	(794,221)	25,207
	<u>1,724,477</u>	<u>4,400,440</u>	<u>203,567,342</u>	<u>145,024,234</u>
Elimination/adjustment	-	-	(2,369,254)	-
	<u>1,724,477</u>	<u>4,400,440</u>	<u>201,198,088</u>	<u>145,024,234</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Each segment bears its administrative costs and there are no allocations from central administration. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance. Group financing (including finance income and finance costs) and income taxes are managed at an individual company level.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

6. Segment information (continued)

6.3 Segment assets and liabilities

	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000 **
Segment non current assets		
Nigeria	684,760,760	518,057,242
West and Central Africa	61,966,356	46,693,301
East and South Africa	140,113,814	80,553,356
Total segment non current assets	<u>886,840,930</u>	<u>645,303,899</u>
Eliminations/adjustments	(191,718,411)	(110,998,363)
Consolidated non current assets	<u>695,122,519</u>	<u>534,305,536</u>
Significant non current assets outside Nigeria		
South Africa	50,131,941	50,224,662
Senegal	43,633,830	35,560,267
Zambia	29,662,290	14,611,047
Ethiopia	39,211,548	12,915,115
Segment current assets		
Nigeria	135,716,982	105,943,377
West and Central Africa	8,469,848	5,110,412
East and South Africa	3,932,068	4,213,477
Total segment assets	<u>148,118,898</u>	<u>115,267,266</u>
Eliminations/adjustments	(38,142)	8,627,931
Total current assets	<u>148,080,756</u>	<u>123,895,197</u>
Consolidated total assets	843,203,275	658,200,733
Segment liabilities		
Nigeria	248,914,916	211,859,515
West and Central Africa	80,293,881	55,016,219
East and South Africa	128,006,835	64,062,117
Total segment liabilities	<u>457,215,632</u>	<u>330,937,851</u>
Elimination/adjustments	(164,105,627)	(77,273,519)
Consolidated liabilities	<u>293,110,005</u>	<u>253,664,332</u>

6.4 Other segment information

	Depreciation and Amortisation		Net additions to non-current assets	
	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000 **
Nigeria	32,165,155	27,275,436	166,703,518	45,703,765
West and Central Africa	1,366,869	158,778	15,273,055	8,175,329
East and South Africa	173,482	186,585	59,560,458	40,306,757
	<u>33,705,506</u>	<u>27,620,799</u>	<u>241,537,031</u>	<u>94,185,851</u>
Eliminations/adjustments	-	-	(80,720,048)	(11,784,328)
Total	<u>33,705,506</u>	<u>27,620,799</u>	<u>160,816,983</u>	<u>82,401,523</u>

** represents prior year segment figures/balances restated.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

6. Segment information (continued)

	Finance income		Finance cost	
	Year ended 31/12/2013	Year ended 31/12/2012	Year ended 31/12/2013	Year ended 31/12/2012
Finance Income and Finance Cost	N '000	N '000	N '000	N '000
Nigeria	10,380,078	2,391,030	11,448,932	12,407,023
West and Central Africa	2,967,227	142,138	4,698,324	214,703
East and South Africa	51,287	153,933	3,129	909,598
Total	13,398,592	2,687,101	16,150,385	13,531,324
Eliminations/adjustments	(4,802,093)	(272,367)	(2,432,843)	(272,367)
Total	8,596,499	2,414,734	13,717,542	13,258,957

6.5 Eliminations and Adjustments

Elimination and Adjustments relate to the following:

- Profit/(loss) after tax of N2.369 billion (2012: NIL) is due to elimination of interest on inter-company loan.
- Non-current assets of N191.718 billion (2012: N110.998 billion) due to the elimination of investment in subsidiaries with the parent's share of their equity.
- Current assets of N38.142 million (2012: N8.628 billion) are due to the elimination of inter-company payable and receivable balances.
- Total liabilities of N164.106 billion (2012: N77.274 billion) due to the elimination of inter-company due to and due from related parties balances.
- Finance income and finance cost of N4.802 billion (2012: N272.4 million) is due to the elimination of interest on inter-company loan.

In addition to the depreciation and amortisation reported above, a sum of N76.589 million (2012: N319 million) in the financial statements was written off (impaired) in respect of property, plant and equipment. The impairment loss was attributable to the Nigerian operations.

	Group		Company	
	Year ended 31/12/2013	Year ended 31/12/2012	Year ended 31/12/2013	Year ended 31/12/2012
7. Cost of sales	N '000	N '000	N '000	N '000
Utilities and materials consumed	98,240,426	76,641,777	84,337,680	65,146,847
Salaries and related staff costs	7,777,310	4,651,586	7,705,879	4,651,586
Depreciation	20,130,299	20,487,981	19,910,480	20,244,776
Royalty (refer (a) below)	447,833	314,867	447,833	314,867
Plant maintenance	9,053,818	11,067,379	8,994,745	11,005,769
Other manufacturing overhead	6,867,382	5,140,750	6,540,652	4,962,175
	142,517,068	118,304,340	127,937,269	106,326,020

- (a) Royalty payable is charged based on volume of extraction made during the year. This is in accordance with the agreement with the Federal Ministry of Mines and Steel Development.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

8. Administrative expenses	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Salaries and related staff costs	7,483,005	6,470,848	6,291,126	5,332,482
Corporate social responsibility	1,880,506	4,033,433	1,833,258	4,033,027
Management fee (refer (a) below)	877,414	1,070,294	877,414	1,070,294
Depreciation and amortisation	2,880,585	1,780,153	1,560,053	1,709,379
Audit fees	191,981	174,417	160,000	160,000
Directors' remuneration	185,546	172,250	144,989	119,886
Rent, rates and insurance	1,456,107	807,061	1,059,279	727,154
Repairs and maintenance	665,223	731,576	597,010	714,214
Travel expenses	1,036,924	901,983	918,947	848,525
Bank charges	501,273	443,138	453,522	431,458
General administrative expenses	3,314,091	2,460,160	2,774,512	2,383,822
Others*	5,520,483	1,881,233	3,409,485	1,232,914
Impairment of investment and receivables from related parties	-	2,026,828	-	2,026,828
	25,993,138	22,953,374	20,079,595	20,789,983

* Included in "Others" in the current year (Group) is an amount of N2.1 billion incurred in 2013 in respect of litigation and settlement of land dispute in Senegal. In 2012, the title of the land on which the facilities of Dangote Cement Senegal S.A are located was in dispute which was settled out of court in the current year thereby necessitating the payment of N2.1 billion to the plaintiff.

- (a) The management fee is charged by Dangote Industries Limited for management and corporate services provided to Gboko plant. It is based on sales on the respective units net of discounts, rebates and applicable concessions provided to customers.

Other employee related disclosures	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Aggregate payroll costs:				
Wages, salaries and staff welfare	14,224,207	10,522,904	12,965,294	9,384,538
Pension costs	512,191	179,629	507,794	179,629
Gratuity provision	523,917	419,901	523,917	419,901
	15,260,315	11,122,434	13,997,005	9,984,068

Chairman's and Director's remuneration	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Directors' remuneration comprises:				
Fees	7,600	7,305	7,600	3,975
Emoluments	177,946	164,945	137,389	115,911
	185,546	172,250	144,989	119,886
Chairman	5,000	5,100	5,000	5,100
Highest paid Director	44,719	28,948	44,719	28,948

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Number of Directors whose emoluments were within the following ranges:

			Group		Company	
			Year ended 31/12/2013 Number	Year ended 31/12/2012 Number	Year ended 31/12/2013 Number	Year ended 31/12/2012 Number
₦		₦				
1	–	3,200,000	-	3	-	3
3,200,001	–	8,750,000	6	3	6	2
8,750,001	–	20,000,000	-	-	-	-
Above		20,000,000	3	3	2	2
			9	9	8	7

Permanent employees remunerated at higher rate excluding allowances:

			Group		Company	
			Year ended 31/12/2013 Number	Year ended 31/12/2012 Number	Year ended 31/12/2013 Number	Year ended 31/12/2012 Number
₦		₦				
Up	to	250,000	1,070	917	1,070	917
250,001	-	500,000	1,922	1,973	1,853	1,969
500,001	-	750,000	584	504	476	500
750,001	-	1,000,000	226	138	137	126
1,000,001	-	1,250,000	96	63	69	59
1,250,001	-	1,500,000	64	34	41	31
1,500,001	-	2,000,000	57	43	45	38
2,000,001	and	above	78	148	73	71
			4,097	3,820	3,764	3,711

The average number of permanent employees employed during the year excluding Directors was as follows:

	Group		Company	
	Year ended 31/12/2013 Number	Year ended 31/12/2012 Number	Year ended 31/12/2013 Number	Year ended 31/12/2012 Number
Management	245	194	212	178
Non-management	4,232	3,234	3,913	3,141
	4,477	3,428	4,125	3,319

	Group		Company	
	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000
9. Selling and distribution expenses				
Depreciation	10,694,622	5,325,525	10,694,622	5,313,479
Advertisement and promotion	4,176,297	3,280,990	3,933,764	2,977,066
Haulage expenses	8,638,167	6,498,467	8,554,159	6,498,467
	23,509,086	15,104,982	23,182,545	14,789,012

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

10. Finance income and finance costs	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Interest income	5,630,349	2,213,027	10,380,078	2,189,323
Foreign exchange gain	2,966,150	201,707	-	201,707
	8,596,499	2,414,734	10,380,078	2,391,030
Finance costs				
Interest expenses	15,090,313	17,239,284	13,833,315	15,360,602
Less: amounts included in the cost of qualifying assets	(2,738,419)	(4,813,663)	(2,738,419)	(3,150,183)
	12,351,894	12,425,621	11,094,896	12,210,419
Foreign exchange loss	1,061,331	629,750	49,719	-
Defined benefit obligation	271,345	196,604	271,345	196,604
Unwinding of discount	32,972	6,982	32,972	-
	13,717,542	13,258,957	11,448,932	12,407,023

The weighted average capitalisation rate on funds borrowed generally is 10% and 12% per annum for the Group and Company respectively (2012: 10% and 12% per annum).

11. Other income	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Insurance claims	1,110,027	257,130	168,783	257,130
Write back of credit balances	15,098	2,918,047	-	2,918,047
Sales of scrap/granite	72,864	342,523	72,864	342,523
Government grant	602,255	558,636	602,101	541,277
Sundry (expense)/income	(75,767)	324,104	(116,229)	315,469
	1,724,477	4,400,440	727,519	4,374,446

12. Profit for the year

Profit for the year from continuing operations includes the following charges:

	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	N '000	N '000	N '000	N '000
Depreciation of property, plant and equipment	33,556,171	27,593,659	32,028,158	27,267,634
Amortisation of intangible assets	149,335	27,140	136,997	7,802
Auditors' remuneration	191,981	174,417	160,000	160,000
Employee benefits expense	15,260,315	11,122,434	13,997,005	9,984,068

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

13. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Group		Company	
	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000 **	Year ended 31/12/2013 N '000	Year ended 31/12/2012 N '000 **
Profit for the year attributable to owners of the Company	<u>201,912,292</u>	<u>145,111,711</u>	<u>210,262,754</u>	<u>146,016,119</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>17,040,507</u>	<u>17,040,507</u>	<u>17,040,507</u>	<u>17,040,507</u>
	<u>11.85</u>	<u>8.52</u>	<u>12.34</u>	<u>8.57</u>
13.1 Effect of restatement on EPS				
Earnings per share (as previously reported)	-	8.92	-	8.98
Earnings per shares (Restated)	<u>-</u>	<u>8.52</u>	<u>-</u>	<u>8.57</u>
Reduction in EPS	<u>-</u>	<u>0.40</u>	<u>-</u>	<u>0.41</u>

** represents prior year figures restated during the reporting year due to changes in deferred tax.

14. Income taxes

14.1 Income tax recognised in profit or loss

	Group		Company	
	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000 **	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000 **
Current tax				
Current tax expense in respect of the current year	<u>(1,379)</u>	<u>(784,271)</u>	<u>(114)</u>	<u>(787,428)</u>
Deferred tax				
Deferred tax income (as previously reported)	-	17,069,895	-	15,623,810
Adjustment (Note 14.4)	<u>-</u>	<u>(6,908,979)</u>	<u>-</u>	<u>(6,908,979)</u>
Deferred tax income recognised in the current year	<u>10,438,105</u>	<u>10,160,916</u>	<u>10,252,045</u>	<u>8,714,831</u>
Total income tax recognised in the current year	<u>10,436,726</u>	<u>9,376,645</u>	<u>10,251,931</u>	<u>7,927,403</u>

Deferred tax assets have been recognised by the company, since it is probable that future taxable profits will be available for offset.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14. Income taxes (continued)

14.1 Income tax recognised in profit or loss (Continued)

The income tax credit for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000 **	Year ended 31/12/13 N'000	Year ended 31/12/12 N'000 **
Profit before income tax	<u>190,761,362</u>	<u>135,647,589</u>	<u>200,010,823</u>	<u>138,088,716</u>
Income tax expense calculated at applicable rate	(60,405,832)	(43,407,228)	(64,003,463)	(44,188,389)
Effect of income that is exempt from taxation	65,152,245	44,349,940	65,152,245	44,343,923
Effect of expenses that are not deductible in determining taxable profit	(3,599)	(1,121)	(114)	(1,121)
Effect of unused tax losses and offsets not recognised as deferred tax assets	(3,359,275)	-	-	-
Other	<u>(918,729)</u>	<u>(211,064)</u>	<u>(850,916)</u>	<u>(873,128)</u>
	<u>464,810</u>	<u>730,527</u>	<u>297,752</u>	<u>(718,715)</u>
Additional Capital Allowance granted on pioneer status (as previously reported)	-	15,555,097	-	15,555,097
Additional Capital Allowance granted on pioneer status during the year	9,971,916	-	9,954,179	-
Adjustment (Note 14.4)	<u>-</u>	<u>(6,908,979)</u>	<u>-</u>	<u>(6,908,979)</u>
Additional Capital Allowance granted on pioneer status (Restated)	<u>9,971,916</u>	<u>8,646,118</u>	<u>9,954,179</u>	<u>8,646,118</u>
Income tax income recognised in profit or loss	<u>10,436,726</u>	<u>9,376,645</u>	<u>10,251,931</u>	<u>7,927,403</u>

The income tax rate of 32% (including education tax of 2%), was used for company tax computation as established by the tax legislation of Nigeria effective in 2013 and 2012. The Group is also subject to taxation in South Africa, which has a statutory rate of 28% in effect at the end of 31 December, 2013 and 2012. Effect of different tax rates of subsidiaries operating in other jurisdictions is not material and included in "Other" line of reconciliation above.

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
14.2 Current tax assets and liabilities				
Income tax payable	<u>565,897</u>	<u>2,504,925</u>	<u>565,737</u>	<u>2,504,925</u>
14.3 Deferred tax balance				
	Group	Group	Company	Company
	31/12/13 N'000	31/12/12 N'000 **	31/12/13 N'000	31/12/12 N'000 **
Deferred tax assets (as previously reported)	-	24,937,023	-	23,572,556
Adjustment (Note 14.4)	<u>-</u>	<u>(15,465,490)</u>	<u>-</u>	<u>(15,465,490)</u>
Deferred tax assets	19,635,374	9,471,533	18,359,111	8,107,066
Deferred tax liabilities	<u>(507,074)</u>	<u>(530,227)</u>	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>19,128,300</u>	<u>8,941,306</u>	<u>18,359,111</u>	<u>8,107,066</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Group				
2013	Opening balance N'000	Recognised in profit or loss N'000	Effect of currency translation N'000	Closing balance N'000
	**			
Defered tax assets /(liabilities) in relation to:				
Property, plant and equipment	7,339,232	9,649,234	-	16,988,466
Provision for doubtful debts	647,763	51,990	-	699,753
Other provisions	120,070	645,999	-	766,069
Other	834,241	90,882	(251,111)	674,012
	8,941,306	10,438,105	(251,111)	19,128,300
			Effect of acquisition under common control N'000	
2012	Opening balance N'000	Recognised in profit or loss N'000	Effect of acquisition under common control N'000	Closing balance N'000
	**	**		**
Defered tax assets /(liabilities) in relation to:				
Property, plant & equipment (as previously reported)	7,622,364	15,182,358	-	22,804,722
Restatement adjustment (Note 14.4)	(8,556,511)	(6,908,979)	-	(15,465,490)
Property, plant & equipment (Restated)	(934,147)	8,273,379	-	7,339,232
Provision for doubtful debts	299,728	348,035	-	647,763
Other provisions	26,654	93,416	-	120,070
Other	(589,032)	1,446,086	(22,813)	834,241
	(1,196,797)	10,160,916	(22,813)	8,941,306
Company				
2013		Opening balance N'000	Recognised in profit or loss N'000	Closing balance N'000
		**		
Defered tax assets /(liabilities) in relation to:				
Property, plant & equipment		7,339,233	9,432,352	16,771,585
Provision for doubtful debts		647,763	51,580	699,343
Other provisions		120,070	768,113	888,183
		8,107,066	10,252,045	18,359,111
2012		Opening balance N'000	Recognised in profit or loss N'000	Closing balance N'000
		**	**	**
Defered tax assets /(liabilities) in relation to:				
Property, plant & equipment (as previously reported)		7,622,364	15,182,359	22,804,723
Restatement adjustment (Note 14.4)		(8,556,511)	(6,908,979)	(15,465,490)
Property, plant & equipment (Restated)		(934,147)	8,273,380	7,339,233
Provision for doubtful debts		299,728	348,035	647,763
Other provisions		26,654	93,416	120,070
		(607,765)	8,714,831	8,107,066

** represents figures restated during the year

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14.4 During the year, the company's calculations of temporary differences resulting in deferred tax assets in respect of business units under pioneer benefits have been recomputed resulting in a restatement of the prior year deferred tax by N15.465 billion. The effect of the prior year adjustment has resulted in the following changes in the financial statements:

	2012 N'000	2011 N'000
Statement of financial position		
Reduction in deferred tax asset	15,465,490	8,556,511
Reduction in Equity	15,465,490	8,556,511
Statement of profit or loss and other comprehensive income		
Reduction in deferred tax income recognised in the year	6,908,979	
Reduction in total of Comprehensive Income	6,908,979	
Reduction in profit after tax	6,908,979	
Reduction in Earnings Per Share (EPS)	0.40	

15 Property, plant and equipment

15.1 The Group

	Leasehold Improvements and Buildings N'000	Plant and Equipment N'000	Aircraft and Motor Vehicles N'000	Factory furniture and Equipment N'000	Capital Work-In- Progress N'000	Total N'000
Cost or deemed cost						
At 1 January 2012	15,313,758	156,281,883	20,081,283	763,646	220,566,974	413,007,544
Additions	557,800	14,802,673	11,240,682	536,918	101,930,535	129,068,608
Eliminated on write-off	(11,689)	(21,714)	(43,280)	(75,294)	(348,097)	(500,074)
Disposals	-	-	-	-	(10,902,824)	(10,902,824)
Reclassifications	18,932,640	143,235,011	2,967,020	177,933	(165,312,604)	-
Other reclassifications	-	61,893	5,800	-	(8,911,445)	(8,843,752)
Effect of currency exchange differences	(222,439)	(321,547)	2,248	(11,199)	(476,035)	(1,028,972)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2012	34,570,070	314,038,199	34,253,753	1,392,004	136,546,504	520,800,530
Additions	443,392	8,607,353	5,883,413	426,607	135,255,235	150,616,000
Write-off/Disposal	(145)	(13,755)	(1,674,129)	(1,048)	(1,413)	(1,690,490)
Reclassifications	(25,161,934)	(2,089,621)	12,475,426	(19,989)	14,796,118	-
Other reclassifications	-	-	(5,388)	-	(6,480,854)	(6,486,242)
Effect of currency exchange differences	26,005,913	(473,991)	119,592	(20,933)	(32,096,495)	(6,465,914)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2013	<u>35,857,296</u>	<u>320,068,185</u>	<u>51,052,667</u>	<u>1,776,641</u>	<u>248,019,095</u>	<u>656,773,884</u>
Accumulated depreciation and impairment						
At 1 January 2012	647,282	10,927,237	3,421,339	300,618	-	15,296,476
Eliminated on write off	(2,455)	(9,047)	(36,645)	(52,725)	-	(100,872)
Depreciation expense	1,432,528	20,129,639	5,794,368	237,124	-	27,593,659
Reclassification	51,635	96,037	(46,023)	(101,649)	-	-
Effect of currency exchange differences	(1,960)	(50,961)	(20,729)	(6,660)	-	(80,310)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2012	2,127,030	31,092,905	9,112,310	376,708	-	42,708,953
Depreciation expense	1,681,394	18,921,007	12,550,360	403,410	-	33,556,171
Write-off/Disposal	-	(6,390)	(534,729)	(1,534)	-	(542,653)
Effect of currency exchange differences	(5,277)	(124,353)	(270,268)	(13,805)	-	(413,703)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2013	<u>3,803,147</u>	<u>49,883,169</u>	<u>20,857,673</u>	<u>764,779</u>	<u>-</u>	<u>75,308,768</u>
Carrying amounts						
At 31 December 2012	<u>32,443,040</u>	<u>282,945,294</u>	<u>25,141,443</u>	<u>1,015,296</u>	<u>136,546,504</u>	<u>478,091,577</u>
At 31 December 2013	<u>32,054,149</u>	<u>270,185,016</u>	<u>30,194,994</u>	<u>1,011,862</u>	<u>248,019,095</u>	<u>581,465,116</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

15 Property, plant and equipment (continued)

15.1 Other reclassifications in 2012 and 2013 relates to transfer out of capital work-in -progress to deposits for imports and inventory.

15.2 Write-off/disposal in 2013 represents cost of trucks damaged and scrapped as well as disposal of aircraft.

15.3 Other reclassifications in 2013 include amount transferred to intangible assets from capital work-in-progress.

15.2 The company

	Leasehold improvements and buildings N'000	Plant and equipment N'000	Aircraft and motor vehicles N'000	Factory furniture and equipment N'000	Capital work-in- progress N'000	Total N'000
Cost or deemed cost						
At 1 January 2012	11,952,393	152,155,751	17,046,142	491,718	181,811,412	363,457,416
Additions	348,680	14,097,859	11,180,041	317,731	50,099,034	76,043,345
Write off	(11,689)	(21,714)	(42,213)	(73,407)	(348,097)	(497,120)
Transfers	-	-	-	-	(10,902,824)	(10,902,824)
Reclassifications	18,932,640	143,231,441	2,967,020	181,503	(165,312,604)	-
Other reclassifications	-	61,893	5,800	-	(8,523,184)	(8,455,491)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2012	31,222,024	309,525,230	31,156,790	917,545	46,823,737	419,645,326
Additions	200,979	5,625,920	5,238,651	258,191	96,786,147	108,109,888
Reclassifications	1,264,580	345,454	12,440,150	62,720	(14,112,904)	-
Other reclassifications	-	-	-	-	(744,781)	(744,781)
Write off/disposal	-	-	(1,674,020)	-	(15,000)	(1,689,020)
	<u>-</u>	<u>-</u>	<u>(1,674,020)</u>	<u>-</u>	<u>(15,000)</u>	<u>(1,689,020)</u>
Balance at 31 December 2013	<u>32,687,583</u>	<u>315,496,604</u>	<u>47,161,571</u>	<u>1,238,456</u>	<u>128,737,199</u>	<u>525,321,413</u>
Accumulated depreciation						
Balance at 1 January 2012	633,519	10,463,345	3,293,417	222,864	-	14,613,145
Depreciation expense	1,420,217	19,949,040	5,717,792	180,585	-	27,267,634
Eliminated on write off	(2,455)	(9,047)	(36,579)	(51,603)	-	(99,684)
Reclassifications	51,635	94,416	(46,023)	(100,028)	-	-
	<u>51,635</u>	<u>94,416</u>	<u>(46,023)</u>	<u>(100,028)</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2012	2,102,916	30,497,754	8,928,607	251,818	-	41,781,095
Depreciation expense	1,666,503	18,587,258	11,461,046	313,351	-	32,028,158
Write off/disposal	-	-	(534,729)	-	-	(534,729)
	<u>-</u>	<u>-</u>	<u>(534,729)</u>	<u>-</u>	<u>-</u>	<u>(534,729)</u>
Balance at 31 December 2013	<u>3,769,419</u>	<u>49,085,012</u>	<u>19,854,924</u>	<u>565,169</u>	<u>-</u>	<u>73,274,524</u>
Carrying amounts						
At 31 December 2012	<u>29,119,108</u>	<u>279,027,476</u>	<u>22,228,183</u>	<u>665,727</u>	<u>46,823,737</u>	<u>377,864,231</u>
At 31 December 2013	<u>28,918,164</u>	<u>266,411,592</u>	<u>27,306,647</u>	<u>673,287</u>	<u>128,737,199</u>	<u>452,046,889</u>

15.1 Other reclassifications in 2012 relate to transfer out of capital work-in -progress to deposits for imports and inventory.

15.2 Write-off/disposal in 2013 represents cost of trucks damaged and scrapped as well as disposal of aircraft.

15.3 Other reclassifications in 2013 include amount transferred to intangible assets from capital work-in-progress and transfers to subsidiary.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

16. Intangible asset

	Group		
	Computer software N'000	Exploration assets N'000	Total N'000
Cost			
At 1 January 2012	397,413	1,744,677	2,142,090
Additions	55,182	9,796	64,978
Effect of foreign currency differences	(10,479)	(106,411)	(116,890)
Balance at 31 December 2012	442,116	1,648,062	2,090,178
Additions	308,157	134,055	442,212
Other reclassifications	585,749	-	585,749
Adjustment	(1,867)	-	(1,867)
Effect of foreign currency differences	(35,759)	(287,027)	(322,786)
Balance at 31 December 2013	1,298,396	1,495,090	2,793,486
Amortization			
At 1 January 2012	344,963	-	344,963
Amortization expense	27,140	-	27,140
Effect of foreign currency differences	(8,659)	-	(8,659)
Balance at 31 December 2012	363,444	-	363,444
Amortization expense	149,335	-	149,335
Adjustment	(813)	-	(813)
Effect of foreign currency differences	(24,650)	-	(24,650)
Balance at 31 December 2013	487,316	-	487,316
Carrying amounts			
At 31 December 2012	78,672	1,648,062	1,726,734
At 31 December 2013	811,080	1,495,090	2,306,170

Intangible asset (Computer software) represents software which has a useful life of 3 years and amortized on a straight line basis over these years.

	Company		
	Computer software N'000	exploration assets N'000	Total N'000
Cost			
At 1 January 2012	225,604	-	225,604
Additions	-	-	-
Balance at 31 December 2012	225,604	-	225,604
Additions	222,590	-	222,590
Other reclassifications	585,749	-	585,749
Balance at 31 December 2013	1,033,943	-	1,033,943
Amortization			
At 1 January 2012	216,954	-	216,954
Amortization expense	7,802	-	7,802
Balance at 31 December 2012	224,756	-	224,756
Amortization expense	136,997	-	136,997
Balance at 31 December 2013	361,753	-	361,753
At 31 December 2012	848	-	848
At 31 December 2013	672,190	-	672,190

16.1 Other reclassification represents portion of Computer software reclassified from Property, plant and equipment

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

17.

17.1 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership or voting power held by the Group	
			31/12/13	31/12/12
Sephaku Cement (Pty) Limited	Clinker and cement production	South Africa	64.00%	64.00%
Dangote Industries (Ethiopia) Plc	Cement production	Ethiopia	86.96%	86.96%
Dangote Industries (Zambia) Limited	Cement production	Zambia	75.00%	75.00%
Dangote Cement Senegal S.A	Cement production	Senegal	90.00%	90.00%
Dangote Cement Cameroun S.A	Cement Grinding	Cameroun	80.00%	80.00%
Dangote Industries Limited, Tanzania	Cement production	Tanzania	70.00%	70.00%
Dangote Cement Congo S.A	Cement production	Congo	100.00%	100.00%
Dangote Cement (Sierra Leone) Limited	Bagging and distribution of cement	Sierra Leone	99.60%	99.60%
Dangote Cement Cote D'Ivoire S.A	Bagging and distribution of cement	Cote D'Ivoire	80.00%	80.00%
Dangote Industries Gabon S.A	Cement Grinding	Gabon	80.00%	80.00%
Dangote Cement Ghana Limited	Bagging and distribution of cement	Ghana	100.00%	100.00%
Dangote Cement - Liberia Ltd.	Bagging and distribution of cement	Liberia	100.00%	-
Dangote Cement Marketing Senegal SA	Selling and Distribution	Senegal	100.00%	-

Dangote Cement Ghana Limited, Dangote Cement Senegal S.A, Dangote Cement Cameroun S.A, Dangote Cement Congo S.A, Dangote Cement (Sierra Leone) Limited and Dangote Cement Cote D'Ivoire S.A had their names changed during the year from Greenview International Limited, Dangote Industries Senegal S.A, Dangote Industries Cameroun Limited, Dangote Industries Congo S.A, Dangote Industries (Sierra Leone) Limited and Dangote Industries Limited, Cote D'Ivoire respectively. All the subsidiaries of the Company except Dangote Cement Ghana Limited and Dangote Cement Marketing Senegal SA are executing capital projects on cement manufacturing/grinding facility or cement terminal. Besides Dangote Cement Ghana, Sephaku Cement South Africa is involved in selling ash which would be used as input once cement manufacturing facility which is currently under construction commences operation. Both Dangote Cement Ghana and Sephaku Cement are incurring small losses.

17.2 Investments	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Sephaku Cement (Pty) Limited	-	-	24,283,254	24,283,254
Dangote Industries (Ethiopia) Plc	-	-	732,657	732,657
Dangote Industries (Zambia) Limited	-	-	115	115
Dangote Cement Senegal S.A	-	-	29,448	29,448
Dangote Cement Cameroun S.A	-	-	8,807	8,807
Dangote Industries Limited, Tanzania	-	-	69,636	68
Dangote Cement Congo S.A	-	-	785	1,702
Dangote Cement (Sierra Leone) Limited	-	-	72,190	15,551
Dangote Cement Cote D'Ivoire S.A	-	-	3,082	12,658
Dangote Industries Gabon S.A	-	-	3,081	12,657
Dangote Cement Marketing Senegal SA	-	-	4,232	-
Dangote Cement - Madagascar	389	-	389	-
	389	-	25,207,676	25,096,917

During the year, investments in Dangote Cement Congo S.A, Dangote Cement Cote D'Ivoire S.A and Dangote Industries Gabon S.A were adjusted to reflect the correct investment value.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

17 Contd.

17.3 Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2013	2012
Cement production	Congo	1	1
Bagging and distribution of cement	Liberia	1	-
Selling and distribution	Senegal	1	-

Principal activity	Place of incorporation and operation	Number of Non- wholly-owned subsidiaries	
		2013	2012
Clinker & cement production	South Africa	1	1
Cement production	Ethiopia	1	1
Cement production	Zambia	1	1
Cement production	Senegal	1	1
Cement Grinding	Cameroun	1	1
Cement production	Tanzania	1	1
Bagging and distribution of cement	Sierra Leone	1	1
Bagging and distribution of cement	Cote D'Ivoire	1	1
Cement Grinding	Gabon	1	1

Details of Non-wholly owned subsidiaries that have material non-controlling interests.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2013	2012	2013	2012	2013	2012
1	Sephaku Cement (Pty) Limited	South Africa	36.00%	36.00%	(239,798)	(43,565)	5,869,358	7,401,576

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

17.3 Contd.

Summarised below is the financial information in respect of the Group's subsidiary that has material non-controlling interests. Information below represents amounts before intragroup eliminations.

	Sephaku Cement (Pty) Limited	
	2013	2012
	N'000	N'000
The information in respect of the financial position of the subsidiaries		
Current assets	1,969,598	2,287,533
Non-current assets	50,131,941	50,224,662
Current liabilities	5,400,234	1,866,004
Non-current liabilities	30,397,532	30,086,258
Equity attributable to owners of the Company	16,225,753	20,481,915
Non-controlling interests	78,019	78,019
Information in respect of the profit and loss and other comprehensive income		
Revenue	599,906	573,974
Expenses	(1,266,011)	(694,989)
Loss for the year	(666,105)	(121,015)
Loss attributable to owners of the Company	(426,307)	(77,449)
Loss attributable to the non-controlling interests	(239,798)	(43,565)
Loss for the year	(666,105)	(121,015)
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	(426,307)	(77,449)
Total comprehensive income attributable to the non-controlling interests	(239,798)	(43,565)
Total comprehensive income for the year	(666,105)	(121,015)
Information in respect of the cash flows of the Subsidiaries		
Dividends paid to non-controlling interests	-	-
Net cash inflow/(outflow) from operating activities	668,675	(56,791)
Net cash outflow from investing activities	(7,813,156)	(32,659,059)
Net cash inflow from financing activities	7,710,667	29,147,442
Net cash inflow/(outflow)	566,186	(3,568,408)

17.4 Change in the Group's ownership interest in a subsidiary

There was no disposal of investment in any of the subsidiaries undertaken by the Group during the reporting year.

17.5 Significant restrictions

There are no significant restrictions on the Company's or its subsidiaries' ability to access or use its assets to settle the liabilities of the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

17.6 Financial support to consolidated structured entities

During the year, the Company provided financial supports to its subsidiaries for capital development and/or for operational purposes. Assistance rendered were always in the form of funds transferred to them for the normal running of their operations or on their behalf to vendors/contractors for settlement of commitments.

As part of the requirements of the Syndicated Term Loan of R1.95bn facility from Nedbank Capital and Standard Bank of South Africa for the finance of the Group's South African plant in 2012, the Company extended an interest bearing subordinated loan to Sephaku Cement to the tune of R132.5 Million as a guarantee to help access the remainder of its loan with Nedbank/Standard Bank. This loan is expected to be repaid in two tranches at an interest rate of Johannesburg Inter-Bank Agreed Rate (JIBAR) plus 4% per annum but in order for the Company to fulfil this, it entered into a contractual obligation with Zenith Bank Plc. to avail a credit facility for a Term Loan to be on lend to Sephaku Cement Ltd. The loan has a quarterly interest rate payment of 6% per annum and is expected to have a bullet repayment of principal upon maturity which is 48 months from the date the loan was advanced. In addition, the loan has been secured on all assets debenture over fixed and floating assets of Dangote Cement Plc.

All financial support given on behalf of the subsidiaries have been accounted for as due from related parties and eliminated on consolidation.

The table below shows the financial support given to subsidiaries by the Company during the year:

	2013	2012
	N'000	N'000
Dangote Cement Ghana Limited	2,571,478	34,790
Dangote Cement Senegal S.A	13,430,214	7,458,094
Dangote Industries (Zambia) Limited	10,291,555	12,350,486
Dangote Cement Cameroun S.A	6,423,823	51,699
Dangote Industries (Ethiopia) Plc	23,309,076	1,846,241
Dangote Industries Limited, Tanzania	18,646,285	1,889,370
Dangote Cement (Sierra Leone) Limited	1,043,736	3,402,516
Dangote Cement Congo S.A	540,545	1,305,947
Dangote Cement Cote D'Ivoire S.A	380,346	51,699
Dangote Industries Gabon S.A	16,616	2,518
Dangote Cement Liberia Ltd.	114,221	12,116
	<u>76,767,895</u>	<u>28,405,476</u>

The Group management has continued to show intentions to provide financial supports to its subsidiaries and to assist, when necessary, any subsidiary to obtain financial support in the future and does not envisage any material risk as a result of this.

18.	Prepayments	Group		Company	
		31/12/13	31/12/12	31/12/13	31/12/12
		N'000	N'000	N'000	N'000
	Non-current				
	Advance to contractors	91,715,470	45,015,692	23,950,013	21,062,209
	Total non-current prepayments	<u>91,715,470</u>	<u>45,015,692</u>	<u>23,950,013</u>	<u>21,062,209</u>
	Current				
	Advance to contractors	23,301,601	13,222,873	20,941,803	10,473,341
	Deposit for import	12,616,503	12,960,139	12,602,408	12,960,139
	Gas pipeline	-	342,772	-	342,772
	Rent, rates and insurance	1,095,512	568,613	1,008,243	502,824
	Total current prepayments	<u>37,013,616</u>	<u>27,094,397</u>	<u>34,552,454</u>	<u>24,279,076</u>

The Gas pipelines prepayment represents the unamortised balance of the Group's investment in the gas pipeline which was transferred to Nigerian Gas Company (NGC). The gas pipelines were constructed with the understanding that NGC would take it over at an agreed cost and that the Company would recoup its costs from the amounts invoiced by NGC for gas consumption at an agreed rate. The agreement with NGC is for twenty years.

Advances to contractors, both current and non current, represent various advances for the purchase of LPFO and AGO together with advances for the construction of plants and other materials which were not received at the year end.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
19. Inventories				
Finished product	3,022,790	4,594,188	2,539,486	3,941,282
Work-in-progress	1,705,281	4,650,082	1,613,305	4,464,554
Raw materials	3,002,453	495,480	1,614,985	495,410
Packaging materials	1,221,501	2,546,691	1,120,276	2,220,807
Consumables	3,968,817	954,626	3,906,947	953,972
Fuel	3,717,367	6,378,675	3,680,771	6,376,446
Spare parts	9,434,740	8,596,494	8,988,935	8,541,454
Goods in transit	1,594,339	4,261,702	112,041	3,859,614
	<u>27,667,288</u>	<u>32,477,938</u>	<u>23,576,746</u>	<u>30,853,539</u>

The cost of inventories recognised as an expense during the year was N67.2 billion and N 66.1 billion (2012: N64.5 billion and N62.2 billion) in the consolidated and separate financial statements respectively.

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
20. Trade and other receivables				
Trade receivables	9,386,389	4,782,843	9,093,143	4,568,957
Impairment allowance on trade receivables	(2,716,140)	(1,375,331)	(2,632,625)	(1,371,050)
	<u>6,670,249</u>	<u>3,407,512</u>	<u>6,460,518</u>	<u>3,197,907</u>
Deposit for supplies	1,022,573	1,357,326	-	1,365,791
Staff loans and advances	640,723	924,756	602,606	427,087
Other receivables	1,932,508	10,086,484	835,678	-
	<u>10,266,053</u>	<u>15,776,078</u>	<u>7,898,802</u>	<u>4,990,785</u>

Trade receivables

The average credit period on sales of goods for both the Group and Company is as shown below.

Of the trade receivables balance at the end of the year in the consolidated and separate financial statements respectively, N 549 million is due from the Group's and Company's largest trade debtor respectively. As at the end of the trading year the Group's largest customer has no outstanding receivable with the Company (See note 5.1). There are no other customers who represent more than 9% of the total balance of trade receivables of the Group and Company respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for impairment because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables are considered to be past due when they exceed the credit period granted.

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Age of receivables that are past due and not impaired

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
0 - 60 days	2,022,057	697,864	1,984,950	644,089
60 - 90 days	129,728	258,679	129,728	244,272
90 - 120 days	2,144,764	1,079,522	2,144,764	1,079,000
Total	4,296,549	2,036,065	4,259,442	1,967,361
Average age (days)	58	57	58	57

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Movement in the allowance for doubtful debts				
Balance at the beginning of the year	1,375,331	1,593,328	1,371,050	1,590,328
Impairment losses recognised on receivables	1,342,630	748,452	1,261,575	665,591
Amounts written off during the year as uncollectible	-	(395)	-	-
Impairment losses reversed	(1,821)	(966,054)	-	(884,869)
Balance at the end of the year	2,716,140	1,375,331	2,632,625	1,371,050

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Age of past due and impaired trade receivables

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
60-90 days	1,345,090	-	1,261,575	-
90-120 days	-	-	-	-
120+ days	1,371,050	1,375,331	1,371,050	1,371,050
	2,716,140	1,375,331	2,632,625	1,371,050

21.

	31/12/13 N'000	31/12/12 N'000
<i>Issued and fully paid</i>		
Share capital 17,040,507,405 (2012: 17,040,507,405) ordinary shares of N 0.5 each	8,520,254	8,520,254
Share premium	42,430,000	42,430,000
	50,950,254	50,950,254

Authorised capital as at reporting dates represents 20,000,000,000 ordinary shares of N 0.5 each.

22. **Dividend**

On 3 June 2013, a dividend of N3.00 per share (total dividend N51.12 bn) was paid to holders of fully paid ordinary shares in relation to 2012 financial year.

In respect of the current year, the Directors proposed that a dividend of N7.00 per share be paid to shareholders on 5 May 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated and separate financial statements. The proposed dividend is payable to all shareholders whose names appear in the Register of Members as at closure date of 17 April 2014. The total estimated dividend to be paid is N119 billion. The payment of this dividend will not have any tax consequence for the Company since it shall be distributed out of pioneer profit.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

23.	Trade and other payables	Group		Company	
		31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
	Trade payables	22,211,084	18,279,062	19,847,840	16,243,741
	Advances from customers	13,378,789	12,251,242	13,056,462	12,251,242
	Payable to contractors	12,974,879	14,350,734	11,065,492	9,189,158
	Value added tax	11,073,872	7,415,859	11,073,872	7,415,859
	Withholding tax payable	564,750	340,737	556,404	340,738
	Staff pension (Note 27.1)	135,787	169,658	131,390	169,658
	Interest payable	5,797,524	5,018,657	5,797,524	5,018,657
	Other accruals and payables	16,078,809	5,345,984	11,760,355	3,481,514
		<u>82,215,494</u>	<u>63,171,933</u>	<u>73,289,339</u>	<u>54,110,567</u>

The average credit period on purchases of goods is 30 days (2012: 30 days). Normally, no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24	Borrowings	Group		Company	
		31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
	Unsecured borrowings at amortised cost				
	Subordinated loans (Note 24(c))	29,996,737	29,996,522	29,996,737	29,996,522
	Loans from Dangote Industries Limited (Note 24 (b))	45,000,000	45,000,000	45,000,000	45,000,000
	Bulk Commodities loans (Note 24 (d))	514,214	514,214	514,214	514,214
		<u>75,510,951</u>	<u>75,510,736</u>	<u>75,510,951</u>	<u>75,510,736</u>
	Secured borrowings at amortised cost				
	Power intervention loan (Note 24 (e))	18,481,074	20,640,260	18,481,074	20,640,260
	Bank loans (Note 24 (a))	86,292,065	66,745,197	56,518,482	37,333,334
		<u>104,773,139</u>	<u>87,385,457</u>	<u>74,999,556</u>	<u>57,973,594</u>
	Total borrowings at 31 December 2013	<u>180,284,090</u>	<u>162,896,193</u>	<u>150,510,507</u>	<u>133,484,330</u>
	Long-term portion of loans and borrowings	<u>124,850,394</u>	<u>112,462,464</u>	<u>95,079,111</u>	<u>83,050,601</u>
	Current portion repayable in one year and shown under current liabilities	<u>55,433,696</u>	<u>50,433,729</u>	<u>55,431,396</u>	<u>50,433,729</u>

(a) A consortium of banks granted the Company facilities to fund expansion projects in various plants. The loans were granted at fixed and floating interest rates of 10% per annum and MPR + 3% respectively. The facilities are for an initial period of 3 years with the option of an extension for a further two years. The facilities are secured with a fixed and floating charge over the Company's assets. Principal and interest are repayable quarterly.

Also in 2012, Nedbank Capital and Standard Bank of South Africa jointly granted a R1.95bn facility for the finance of the Group's South African plant. This loan is for 10 years at Johannesburg Inter-Bank Agreed Rate (JIBAR) plus 4% with a 39 month moratorium on the principal amount. Interest accrued during the construction period and up to the first capital repayment date is capitalised against the loan up to a maximum threshold of ZAR2.4bn. The debt facility is guaranteed by the company.

In 2013, the Company availed certain short term facilities from banks for purchase of cement and power plant equipment, trucks, aircraft etc. which would be repaid within 12 months.

(b) In 2011, Dangote Industries Limited (DIL) transferred its interests in certain African operations to the Company at a cost of N45.147 billion which was the total cost incurred by the Parent Company as at that date. DIL granted a N45 billion long term loan with a tenor up to 31 December 2019, including an initial moratorium up to period ending 31 March 2017. The interest is charged at 10% per annum on outstanding principal.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

24 Borrowings (continued)

- (c) A subordinated loan of N55.4 billion was obtained by the Company from Dangote Industries Limited in 2010. N30 billion was long-term and the remaining balance was short term and is repayable on demand. The long-term loan is unsecured, with interest at 10% per annum and is repayable in 3 years after a moratorium period ending 31 March 2017. The interest on the long term portion was waived for 2011. Given the favourable terms at which the Company secured the loan, an amount of N2.8 billion which is the difference between the fair value of the loan on initial recognition and the amount received, has been accounted for as capital contribution.
- (d) Bulk Commodities International loan granted at an interest rate of 6% per annum represents short term funding requirements. The loan is repayable on demand.
- (e) In 2011 and 2012, the Bank of Industry through Guaranty Trust Bank Plc and Access Bank Plc granted the Company the sum of N 24.5 billion long-term loan repayable over 10 years at an all-in annual interest rate of 7% for part financing or refinancing the construction cost of the power plants at the Company's factories under the Power and Aviation Intervention Fund. The loan has a moratorium of 12 months. Given the concessional terms at which the Company secured the loan, it is considered to have an element of government grant. Using prevailing market interest rates for an equivalent loan of 12.5%, the fair value of the loan is estimated at N 20.7 billion. The difference of N 3.66 billion between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue. The facility is secured by a debenture on all fixed and floating assets of the company to be shared pari passu with existing lenders.

				Group	
	Currency	Nominal interest rate	Maturity on demand	31/12/13 N'000	31/12/12 N'000
Bank overdrafts			On demand	<u>855,690</u>	<u>1,262,966</u>
Other borrowings					
Subordinated loans	Naira	10%	12/2019	29,996,737	29,996,522
Loans from Parent Company	Naira	10%	12/2019	45,000,000	45,000,000
Loan from Bulk Commodities Inc.	Naira	6%	On demand	514,214	514,214
Power intervention loan	Naira	7%	07&12/2021	18,481,074	20,640,260
Syndicated Bank loans	Naira	10-15%	12/2014	5,333,333	37,333,334
Short term Loans from Banks	USD	6%	2014	51,185,149	-
Nedbank/Standard Bank Loan	Rands	9.08%	11/2022	<u>29,773,583</u>	<u>29,411,863</u>
Total borrowings at 31 December				<u>180,284,090</u>	<u>162,896,193</u>

				Company	
	Currency	Nominal interest rate	Maturity	31/12/13 N'000	31/12/12 N'000
Other borrowings					
Subordinated loans	Naira	10%	12/2019	29,996,737	29,996,522
Loans from Parent Company	Naira	10%	12/2019	45,000,000	45,000,000
Loan from Bulk Commodities Inc.	Naira	6%	On demand	514,214	514,214
Power intervention loan	Naira	7%	07 & 12/2021	18,481,074	20,640,260
Syndicated Bank loans	Naira	10-15%	12/2014	5,333,333	37,333,334
Short term Loans from Banks	USD	6%	2014	<u>51,185,149</u>	-
Total borrowings at 31 December				<u>150,510,507</u>	<u>133,484,330</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The maturity profile of borrowings is as follows:

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Due within one month	6,075,236	656,349	6,075,046	656,349
Due from one to three months	1,333,727	11,823,530	1,333,333	11,823,530
Due from three to twelve months	<u>48,024,733</u>	<u>37,953,850</u>	<u>48,023,017</u>	<u>37,953,850</u>
Total current portion repayable in one year	<u>55,433,696</u>	<u>50,433,729</u>	<u>55,431,396</u>	<u>50,433,729</u>
Due in the second year	6,879,342	20,813,992	2,625,397	20,417,408
Due in the third year	6,879,570	21,072,378	2,625,397	17,919,515
Due in the fourth year	34,137,474	14,225,240	29,883,047	7,919,514
Due in the fifth year and further	<u>76,954,008</u>	<u>56,350,854</u>	<u>59,945,270</u>	<u>36,794,164</u>
Total long-term portion of loans and borrowings	<u>124,850,394</u>	<u>112,462,464</u>	<u>95,079,111</u>	<u>83,050,601</u>
Total	<u>180,284,090</u>	<u>162,896,193</u>	<u>150,510,507</u>	<u>133,484,330</u>

25 Deferred revenue

Deferred revenue arising from government grant (refer to (a) below)	<u>2,410,237</u>	<u>3,012,492</u>	<u>2,410,237</u>	<u>3,012,339</u>
	<u>2,410,237</u>	<u>3,012,492</u>	<u>2,410,237</u>	<u>3,012,339</u>
Current	541,736	602,101	541,736	602,101
Non-current	<u>1,868,501</u>	<u>2,410,391</u>	<u>1,868,501</u>	<u>2,410,238</u>
	<u>2,410,237</u>	<u>3,012,492</u>	<u>2,410,237</u>	<u>3,012,339</u>

- a) The deferred revenue mainly arises as a result of the benefit received from government loans received in 2011 and 2012 (see note 24 (e)). The revenue was recorded in other income line.

Movement in Deferred revenue

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
At 1 January	3,012,492	1,347,896	3,012,338	1,330,383
Additions during the year	<u>-</u>	<u>2,223,232</u>	<u>-</u>	<u>2,223,232</u>
	3,012,492	3,571,128	3,012,338	3,553,615
Released to profit or loss account (Other income)	<u>(602,255)</u>	<u>(558,636)</u>	<u>(602,101)</u>	<u>(541,277)</u>
Closing balance	<u>2,410,237</u>	<u>3,012,492</u>	<u>2,410,237</u>	<u>3,012,338</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

26 Provisions for liabilities and other charges

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	487,310	466,893	274,782	141,823
Effect of foreign exchange differences	(93,586)	(19,827)	-	-
Provisions made during the year	(50,031)	33,262	(73,898)	132,959
Unwinding of discount	32,972	6,982	32,972	-
Balance at the end of the year	376,665	487,310	233,856	274,782

The above provision represents the Group's obligations to settle environmental restoration and dismantling/decommissioning cost of property, plant and equipment. The expenditure is expected to be utilised at the end of the useful lives of the mines which is estimated to be between the year 2025 to 2035.

27 Employee benefits

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
27.1 Defined contribution plans				
Balance at the beginning of the year	169,658	95,927	169,658	95,927
Provision for the year	512,191	179,629	507,794	175,355
Payments during the year	(546,062)	(105,898)	(546,062)	(101,624)
Balance at the end of the year	135,787	169,658	131,390	169,658

Provisions for staff pensions have been made in the financial statements in accordance with the Pension Reform Act 2004. The accrual at 31 December 2013 amounted to N136 million (2012: N170 million).

Outstanding staff pension deductions that have not been remitted as at year end have been accrued for in accordance with the Pension Reform Act, 2004. The employees of the Group are members of a state arranged Pension scheme which is managed by several private sector service providers. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the defined contribution plan is to make the specified contributions.

The total expense recognised in profit or loss of N 513 million (2012: N 180 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

27.2 Defined benefit plan

The Group operates funded defined benefit plan (gratuity) for qualifying employees in Nigeria. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 55. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2013 by HR Nigeria Limited. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan typically exposes the Group to actuarial risks such as; investment risk, interest rate risk and salary risk.

Investment risk The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in Government Securities and money market instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund

Interest risk A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Salary risk The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Group & Company	
	31/12/13	31/12/12
	%	%
Discount rate(s)	14	13
Expected rate(s) of salary increase	12	12
Inflation rate	9	10

The amount included in the consolidated and separate statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
Present value of the defined benefit obligation	2,588,861	2,101,935

Movements in the fair value of plan assets are as follows:

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
At 1 January	358,259	144,810
Expected return on plan assets	59,070	25,959
Actuarial (losses)/gains	(3,772)	10,211
Contributions by employer	212,664	177,279
	<u>626,221</u>	<u>358,259</u>
At 31 December	<u>626,221</u>	<u>358,259</u>

Movements in the present value of the defined benefit obligation are as follows:

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
At 1 January	2,101,935	1,517,324
Current service cost	582,987	445,860
Interest cost	271,345	196,604
Actuarial (gains)/losses	(284,262)	282,547
Benefits paid	(83,144)	(340,400)
	<u>2,588,861</u>	<u>2,101,935</u>
At 31 December	<u>2,588,861</u>	<u>2,101,935</u>

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows.

	Group & Company			
	31/12/13	31/12/12	31/12/13	31/12/12
	%	%	N'000	N'000
Government securities	-	-	415,493	461
Cash	-	-	40	69
Money market instruments	14	14	218,163	358,080
			<u>633,696</u>	<u>358,610</u>

The expected rate of return on plan assets held is based on the discount rate. The directors' assessment of the expected returns is based on the discount rate used to discount the related obligation. The difference between the expected return and actual return is included in Actuarial gain or loss as part of remeasurement. The actual return on plan assets held is N55.30 million (2012: N36.17 million).

The Group expects to make a contribution of N200 million (2012: N200 million) to the defined benefit plans during the next financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
Current service cost	582,987	445,860
Interest on obligation	271,345	196,604
Expected return on plan assets	<u>(59,070)</u>	<u>(25,959)</u>
	<u>795,262</u>	<u>616,505</u>

Amounts recognised in other comprehensive income

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
Actuarial (loss)/gain on defined benefit obligation	284,262	(282,547)
Actuarial (loss)/gain on plan assets	<u>(3,772)</u>	<u>10,211</u>
	<u>280,490</u>	<u>(272,336)</u>

History of plan

	Group & Company	
	31/12/13	31/12/12
	N'000	N'000
Present value of defined benefit obligations	2,588,861	2,101,935
Fair value of plan assets	<u>(626,221)</u>	<u>(358,259)</u>
Funding deficit	<u>1,962,640</u>	<u>1,743,676</u>

28. Financial Instruments

28.1 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 24 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed below).

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Net debt	<u>110,638,197</u>	<u>119,733,840</u>	<u>83,067,645</u>	<u>91,785,817</u>
Equity	** <u>550,093,270</u>	<u>404,536,401</u>	<u>571,562,826</u>	<u>412,141,104</u>

** prior year figures restated

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group endeavours to maintain an optimum mix of net gearing ratio which provides benefits of trading on equity without exposing the group to any undue long term liquidity risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain the capital or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new and/or bonus shares, or raise debts in favourable market conditions.

The net debt to equity ratio as on 31 December 2013 is 20% (2012: 30%). The Group is anticipating this to increase going forward.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28.1.1 Debt to equity ratio

The debt to equity ratio at end of the reporting period was as follows.

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Debt (Note 24)	180,284,090	162,896,193	150,510,507	133,484,330
Cash and cash equivalent (Note 30)	69,645,893	43,162,353	67,442,862	41,698,513
Net debt	<u>110,638,197</u>	<u>119,733,840</u>	<u>83,067,645</u>	<u>91,785,817</u>
Equity	** <u>550,093,270</u>	<u>404,536,401</u>	<u>571,562,826</u>	<u>412,141,104</u>
Net debt/ Equity ratio	** <u>0.20</u>	<u>0.30</u>	<u>0.15</u>	<u>0.22</u>

** prior year figures restated

28.2	Categories of financial instruments	Group		Company	
		31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
	Financial assets- Loans and receivables				
	Cash and bank balances	19,007,633	15,361,914	15,948,908	12,635,108
	Short term deposits	51,493,950	29,063,405	51,493,954	29,063,405
	Trade and other receivables(28.2.1)	10,266,053	15,776,078	7,898,802	4,990,785
	Due from related parties and receivables from subsidiaries	<u>2,632,216</u>	<u>4,121,465</u>	<u>166,770,999</u>	<u>90,047,435</u>
	Total financial assets	<u>83,399,852</u>	<u>64,322,862</u>	<u>242,112,663</u>	<u>136,736,733</u>
	Financial liabilities- at amortised cost				
	Trade and other payables (28.2.2)	70,441,085	55,245,679	61,527,673	46,184,312
	Bank loans	104,773,139	87,385,457	74,999,556	57,973,594
	Overdraft	855,690	1,262,966	-	-
	Inter-company borrowings	75,510,951	75,510,736	75,510,951	75,510,736
	Due to related parties	<u>23,932,218</u>	<u>18,054,610</u>	<u>19,942,600</u>	<u>16,728,896</u>
	Total financial liabilities	<u>275,513,083</u>	<u>237,459,448</u>	<u>231,980,780</u>	<u>196,397,538</u>

28.2.1 Defined as total and other receivables excluding prepayments, accrued income and amounts relating to taxation.

28.2.2 Defined as total trade and other payables excluding taxation and social security.

28.3 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and analyses exposures by degree and magnitude of risks. These risks include currency risk, credit risk, and liquidity risk

28.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (Note 28.5.1) and interest rates (Note 28.7.1).

28.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

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	Group			
	Liabilities		Assets	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
US Dollars	<u>56,976,357</u>	<u>4,577,127</u>	<u>851,080</u>	<u>364,375</u>

	Company			
	Liabilities		Assets	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
US Dollars	<u>52,436,477</u>	<u>3,807,471</u>	<u>391,204</u>	<u>364,375</u>

28.5.1 Foreign currency sensitivity analysis

The Group is mainly exposed to US Dollars.

The following table details the Group's and Company's sensitivity to a 3% increase and decrease in the Naira against the US Dollar. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 3% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Naira strengthens 3% against the relevant currency. For a 3% weakening of the Naira against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Effect on Profit or loss/Equity	<u>1,683,758</u>	<u>126,383</u>	<u>1,561,358</u>	<u>103,293</u>

This is mainly attributable to the exposure outstanding on US dollar receivables and payables at the end of the reporting period.

The Group's and Company's sensitivity to foreign currency has increased during the current year. This is due to the increase in purchases towards the end of the financial year and this has resulted in higher US Dollar denominated trade payables.

28.6 Credit risk management

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group's and Company's business is primarily on a cash basis. Revolving credits granted to major distributors and very large corporate customers approximate about N5 billion and these are payable within 15-30 days. Stringent credit control is exercised at the granting of credit, this is done through the review and approval by executive management based on the recommendation of the independent credit control group.

Credits to major distributors are guaranteed against bank guarantee with an average credit period of no more than 15 days.

For very large corporate customers, clean credits are granted based on previous business relationships and positive credit worthiness which is performed on an on-going basis. These credits are usually payable at no more than 30 days.

The Group and the Company do not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as related entities with similar characteristics. There is no material single obligor exposure to report.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds financial instruments is limited because the counterparties are banks with high credit-ratings assigned by credit-rating agencies.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28.6.1	Maximum Exposure to Credit risk	Group		Company	
		31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Financial assets- Loans and receivables					
	Cash and bank balances	19,007,633	15,361,914	15,948,908	12,635,108
	Short term deposits	51,493,950	29,063,405	51,493,954	29,063,405
	Trade and other receivables	10,266,053	15,776,078	7,898,802	4,990,785
	Due from related parties and receivables from subsidiaries	2,632,216	4,121,465	166,770,999	90,047,435
		<u>83,399,852</u>	<u>64,322,862</u>	<u>242,112,663</u>	<u>136,736,733</u>

28.7 Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures and preference shares. The Group's policy is that not more than 40% of borrowings should mature in the next 12-month period. 33% of the Group's debt will mature in less than one year at 31 December 2013 (2012: 42%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

28.7.1 Liquidity maturity table

The following tables detail the Group's and Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables below include both interest and principal cash flows for the Group.

	<1 month	1- 3 months	3 mths – 1yr	1 - 5 yrs
As at 31 December 2012				
Loans and borrowings	656,349	11,823,530	37,953,850	112,462,464
Trade payables	18,279,062	-	-	-
Other payables	44,892,871	-	-	-
Total	<u>63,828,282</u>	<u>11,823,530</u>	<u>37,953,850</u>	<u>112,462,464</u>
	<1 month	1- 3 months	3 mths – 1yr	1 - 5 yrs
As at 31 December 2013				
Loans and borrowings	6,075,236	1,333,727	48,024,733	124,850,394
Trade payables	22,211,084	-	-	-
Other payables	60,004,410	-	-	-
Total	<u>88,290,730</u>	<u>1,333,727</u>	<u>48,024,733</u>	<u>124,850,394</u>

Interest Risk

The Company is exposed to interest risk via floating rate interest bearing loans which are tied to the Monetary Pricing Rate in Nigeria.

The following table details the sensitivity to a 2% increase or decrease in MPR which is the range of margin by which the CBN's long term outlook for 2014 expects changes to occur.

Sephaku's floating interest loan was tested for sensitivity using a 0.5% (2012: 9%) change in rates which is the average change in JIBAR over the last year.

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Profit or loss	<u>202,130</u>	<u>1,194,426</u>	<u>53,333</u>	<u>283,808</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28.7.2 Fair valuation of financial assets and liabilities

The carrying amount of trade and other receivables, cash and bank balances and amounts due from and to related parties as well as trade payables, other payables approximate their fair values because of the short-term nature of these instruments and, for trade and other receivables, because of the fact that any loss from recoverability is reflected in an impairment loss. The fair values of loans and borrowings are determined using the effective interest method. For loans and borrowings payable at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period. Management has determined that the fair value of loans and borrowings is not significantly different from their carrying amount.

29 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and Company, and other related parties are disclosed below.

The Group and the Company, in the normal course of business, sells to and buys from other business enterprises that fall within the definition of a 'related party' contained in International Accounting Standard 24. These transactions mainly comprise purchases, sales, finance costs and management fees paid to shareholders. Management is of the view that such transactions are carried out at arms-length. The companies in the Group also provide funds to and receive funds from each other as and when required for working capital financing.

29.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sale of goods		Purchases of goods	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Parent company	-	-	-	965,833
Entities controlled by the parent company	<u>175,992</u>	<u>-</u>	<u>18,110,749</u>	<u>10,612,323</u>

During the year, Company entities entered into the following trading transactions with related parties:

	Sale of goods		Purchases of goods	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Parent company	-	-	-	965,833
Entities controlled by the parent company	<u>175,992</u>	<u>-</u>	<u>17,411,045</u>	<u>10,612,323</u>

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29 Related party transactions (continued)

The following balances were outstanding at the end of the reporting period:

	Group			
	Amounts owed by related parties		Amounts owed to related parties	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Current				
Parent company	-	-	7,476,324	5,741,570
Entities controlled by the parent company	2,158,775	3,786,698	14,445,936	2,482,271
Affiliates and associates of parent company	473,441	334,767	2,009,958	9,830,769
	<u>2,632,216</u>	<u>4,121,465</u>	<u>23,932,218</u>	<u>18,054,610</u>

	Company			
	Amounts owed by related parties		Amounts owed to related parties	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
		**		
Non Current				
Entities controlled by the company	<u>164,524,881</u>	<u>85,925,971</u>	<u>-</u>	<u>-</u>

The above balances represent expenditures on projects in African countries. As these are not likely to be repaid within the next twelve months, they have been reclassified under non-current assets.

	Company			
	Amounts owed by related parties		Amounts owed to related parties	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
		**		
Current				
Parent company	-	-	7,815,606	5,741,570
Entities controlled by the parent company	1,772,677	3,786,697	10,470,145	2,482,271
Affiliates and associates of parent company	473,441	334,767	1,656,849	8,505,055
	<u>2,246,118</u>	<u>4,121,464</u>	<u>19,942,600</u>	<u>16,728,896</u>

** prior year figures restated

Sales of goods to related parties were made at the Group's and Company's usual price lists, Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
29.2 Loans from related parties	N'000	N'000	N'000	N'000
Loans from entities controlled by the parent company	514,214	514,214	514,214	514,214
Loans from parent company	74,996,737	74,996,522	74,996,737	74,996,522

Except as described in note 24 (c), the Group has been provided loans at rates and terms comparable to the average commercial rate of interest terms prevailing in the market. The loans are unsecured.

29.3 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Short-term benefits	177,661	169,660	144,989	119,886
Provision for staff pension benefits	7,885	2,590	-	-
	<u>185,546</u>	<u>172,250</u>	<u>144,989</u>	<u>119,886</u>

Other related party transactions

In addition to the above, Dangote Industries Limited performed certain administrative services for the Company, for which a management fee of N877 million (2012: N1.1 billion) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

During the period, no director had any transaction with the Group and company.

30. Supplemental cash flow disclosures

30.1 Cash and cash equivalents

	Group		Company	
	31/12/13	31/12/12	31/12/13	31/12/12
	N'000	N'000	N'000	N'000
Cash and bank balances	19,007,633	15,361,914	15,948,908	12,635,108
Short term deposits	51,493,950	29,063,405	51,493,954	29,063,405
	70,501,583	44,425,319	67,442,862	41,698,513
Bank overdrafts used for cash management purposes	(855,690)	(1,262,966)	-	-
Cash and cash equivalent	<u>69,645,893</u>	<u>43,162,353</u>	<u>67,442,862</u>	<u>41,698,513</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31. Operating lease arrangements

Operating leases relate to leases of depots with lease terms of between 1 and 3 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

Payments recognised as an expense

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Minimum lease payments	<u>746,802</u>	<u>584,267</u>	<u>623,549</u>	<u>433,134</u>

Non-cancellable operating lease commitments

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
Not later than 1 year	679,519	539,337	551,204	433,134
Later than 1 year and not later than 5 years	309,784	582,920	80,672	166,771
Later than 5 years	-	-	-	-
	<u>989,303</u>	<u>1,122,257</u>	<u>631,876</u>	<u>599,905</u>

	Group		Company	
	31/12/13 N'000	31/12/12 N'000	31/12/13 N'000	31/12/12 N'000
32. Commitments for expenditure				
Commitments for the acquisition of property, plant and equipment	<u>76,975,344</u>	<u>140,211,419</u>	<u>16,601,890</u>	<u>35,242,358</u>

33. Contingent liabilities and contingent assets

No provision has been made in these consolidated and separate financial statements for contingent liabilities in respect of litigations against the Company and its subsidiaries to N14.172 billion (2012: N822.32 million). According to the solicitors acting on behalf of the Company and its subsidiaries, the liabilities arising, if any, are not likely to be significant.

The Company also has unconfirmed letters of credit amounting to N117.97 billion (USD 728 million) as at year end.

34. Post year end events

There were no post year end events which could have material effect on the state of affairs of the Group at 31 December, 2013 and on the profit for the year ended on that date which have not been adequately recognised or disclosed in the consolidated financial statements.

THREE -YEAR FINANCIAL SUMMARY

NON IFRS STATEMENT – GROUP

GROUP	31/12/13	IFRS	1/1/12
BALANCE SHEET	N'000	31/12/12	N'000
ASSETS/LIABILITIES		N'000	N'000
Property, plant and equipment	581,465,116	478,091,577	397,711,067
Intangible assets	2,306,170	1,726,734	1,797,127
Long term investments	389		50
Prepayments	91,715,470	45,015,692	52,395,768
Net current (liabilities)/assets	** (15,463,975)	(12,135,067)	(49,196,828)
Deferred taxation assets/(liabilities)	** 19,128,300	8,941,306	(1,196,798)
Long term debts	(124,850,394)	(112,462,464)	(116,766,429)
Staff gratuity	(1,962,640)	(1,743,676)	(1,372,514)
Other non-current liability	** (2,245,166)	(2,897,701)	(1,557,069)
NET ASSETS	** 550,093,270	404,536,401	281,814,375
CAPITAL AND RESERVES			
Share capital	8,520,254	8,520,254	7,745,685
Share premium	42,430,000	42,430,000	42,430,000
Capital contribution	2,876,642	2,876,642	2,876,642
Employee benefit reserve	(465,792)	(746,282)	(473,946)
Currency translation reserve	(4,752,664)	(1,443,862)	-
Revenue reserve	** 496,455,952	345,665,182	220,689,333
Non-controlling interest	5,028,878	7,234,467	8,546,661
	** 550,093,270	404,536,401	281,814,375
Turnover, Profit and Loss account			
Turnover	386,177,220	298,454,068	241,405,977
Profit before taxation	190,761,362	135,647,589	113,779,556
Taxation	** 10,436,726	9,376,645	(927,388)
Profit after taxation	201,198,088	145,024,234	112,852,168
Per share data (Naira):			
Earnings - (Basic)	** 11.85	8.52	7.28
Net assets	** 32.28	23.74	18.19

** represents prior year balances restated during the reporting year due to changes in deferred tax and reclassification of receivables from subsidiaries under non-current asset. (see Notes 14 & 29).

Earnings per share are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

FIVE-YEAR FINANCIAL SUMMARY

NON IFRS STATEMENT - COMPANY

	IFRS				NGAAP 31/12/2009 N'000
	31/12/2013 N'000	31/12/2012 N'000	31/12/2011 N'000	31/12/2010 N'000	
BALANCE SHEET ASSETS/(LIABILITIES)					
Property, plant and equipment	452,046,889	377,864,231	348,844,271	305,655,317	142,388,500
Intangible assets	672,190	848	8,650	54,437	-
Long Term investments	25,207,676	25,096,917	27,622,401	50	16,659,134
Receivables from Subsidiaries	** 164,524,881	85,925,971	70,227,221		
Prepayments	23,950,013	21,062,209	25,650,934	5,358,404	
Net current (liabilities) / assets	** (14,053,826)	(18,436,841)	(66,613,235)	(19,167,946)	41,521,212
Deferred taxation assets/(liabilities)	** 18,359,111	8,107,066	(607,765)	(8,537,635)	(9,475,095)
Long Term debts	(95,079,111)	(83,050,601)	(116,766,429)	(80,504,837)	(49,619,797)
Staff Gratuity	(1,962,640)	(1,743,676)	(1,372,514)	(913,632)	(350,740)
Other non-current liability	(2,102,357)	(2,685,020)	(1,231,999)	(319,370)	
NET ASSETS	** 571,562,826	412,141,104	285,761,535	201,624,788	141,123,214
CAPITAL AND RESERVES					
Share capital	8,520,254	8,520,254	7,745,685	7745685	500,000
Share premium	42,430,000	42,430,000	42,430,000	42,430,000	42,430,000
Capital contribution	2,828,497	2,828,497	2,828,497	2828497	
Employee benefit reserve	(465,792)	(746,282)	(473,946)		
Retained Earnings	** 518,249,867	359,108,635	233,231,299	148,620,606	98,193,214
	** 571,562,826	412,141,104	285,761,535	201,624,788	141,123,214
Turnover, Profit and Loss account					
Turnover	371,551,567	285,635,278	241,405,977	202,565,699	129,797,087
Profit before taxation	200,010,823	138,088,716	113,779,556	101,334,468	49,510,037
Taxation	10,251,931	7,927,403	(3,292,404)	(1,342,294)	(2,258,711)
Profit after taxation	210,262,754	146,016,119	110,487,152	99,992,174	47,251,326
Extraordinary item				(1,282,980)	-
Profit after taxation and extraordinary item	210,262,754	146,016,119	110,487,152	98,709,194	47,251,326
Per share data (Naira):					
Earnings - (Basic)	12.34	8.57	7.13	6.37	95.00
Net assets	33.54	24.19	18.45	13.02	142.11

** represents prior year balances restated during the reporting year due to changes in deferred tax and reclassification of receivables from subsidiaries under non-current asset. (see Notes 14 & 29)

Earnings per share are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

STATEMENT OF VALUE ADDED

	Group				Company			
	2013 N'000	%	2012 N'000	%	2013 N'000	%	2012 N'000	%
Sales	386,177,220		298,454,068		371,551,567		285,635,278	
Interest received	8,596,499		2,414,734		10,380,078		2,391,030	
Other income	1,724,477		4,400,440		727,519		4,374,446	
	<u>396,498,196</u>		<u>305,269,242</u>		<u>382,659,164</u>		<u>292,400,754</u>	
Bought-in-materials and services:								
- Imported	(44,639,683)		(31,046,760)		(31,526,054)		(19,949,415)	
- Local	(98,513,787)		(86,572,703)		(93,512,196)		(84,696,096)	
Value added	<u>253,344,726</u>	<u>100</u>	<u>187,649,779</u>	<u>100</u>	<u>257,620,914</u>	<u>100</u>	<u>187,755,243</u>	<u>100</u>
Applied as follows:								
To pay employees:								
Salaries, wages and other benefits	15,260,315	6	11,122,434	6	13,997,005	5	9,984,068	5
To pay Government:								
Taxation	1,379	-	784,271	-	114	-	787,428	-
To pay providers of capital:								
Finance charges	13,717,542	5	13,258,957	7	11,448,931	4	12,407,023	7
To provide for maintenance of fixed assets:								
- Depreciation	33,556,172	13	27,593,659	15	32,028,158	13	27,267,634	15
- Amortization	149,335	-	27,140	-	136,997	-	7,802	-
- Deferred taxation	(10,438,105)	(4)	(10,160,916)	(5)	(10,252,045)	(4)	(8,714,831)	(5)
- Non controlling interest	(714,204)	-	(87,477)	-	-	-	-	-
- Profit and loss account	201,912,292	80	145,111,711	77	210,262,754	82	146,016,119	78
	<u>253,344,726</u>	<u>100</u>	<u>187,649,779</u>	<u>100</u>	<u>257,620,914</u>	<u>100</u>	<u>187,755,243</u>	<u>100</u>

** represents prior year balances restated during the reporting year due to changes in deferred tax and reclassification of receivables from subsidiaries under non-current asset. (see Notes 14 & 29)

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. The statement shows the allocation of that wealth to employees, government, providers of finance and shareholders, and that retained for future creation of more wealth.