

**NASCON ALLIED INDUSTRIES PLC**

**Financial Statements**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**NASCON ALLIED INDUSTRIES PLC**

**Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

<b>CONTENTS</b>	<b>PAGE</b>
Statement of profit or loss and other comprehensive income	<b>2</b>
Statement of financial position	<b>3</b>
Statement of changes in equity	<b>4</b>
Statement of cashflow	<b>5</b>
Notes to the financial staement	<b>6-37</b>

**NASCON ALLIED INDUSTRIES PLC**

**Statement of Profit or Loss and Other Comprehensive Income**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Notes	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Continuing Operations</b>				
Revenue	5	12,794,855	10,192,301	16,178,197
Cost of sales	7	(8,556,614)	(6,954,417)	(11,819,079)
Gross profit		4,238,241	3,237,884	4,359,118
Investment income	8	21,799	418	9,258
Other income	9	6,114	114,170	160,997
Distribution expenses	10	(537,354)	(76,634)	(218,622)
Administrative expenses	10	(950,353)	(895,807)	(1,273,122)
Finance cost	11	(185,675)	-	(20,065)
Profit before tax		2,592,772	2,380,031	3,017,564
Income tax expense	13	(829,687)	(761,610)	(911,918)
<b>PROFIT FOR THE YEAR</b>		<b>1,763,085</b>	<b>1,618,421</b>	<b>2,105,646</b>
Other comprehensive income, net of income tax		-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,763,085</b>	<b>1,618,421</b>	<b>2,105,646</b>
<b>Earnings per share</b>				
From continuing operations		-	-	-
Basic & Diluted (kobo)		89	81	79

**NASCON ALLIED INDUSTRIES PLC**

**Statement of Financial Position  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Notes	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Assets</b>				
<i>Non-current assets</i>				
Property, plant and equipment	16	6,377,140	7,061,667	6,759,039
Intangible asset	17	70,826	164,636	141,184
Other assets	18	5,513	10,870	9,188
Total non-current assets		<b>6,453,479</b>	<b>7,237,173</b>	<b>6,909,411</b>
<i>Current assets</i>				
Inventories	19	3,293,098	3,481,749	1,933,001
Trade and other receivables	20	8,721,355	4,656,433	4,852,546
Other assets	18	5,940,439	334,091	51,175
Cash and bank	21	730,207	941,036	2,548,693
Total current assets		<b>18,685,099</b>	<b>9,413,309</b>	<b>9,385,415</b>
<b>Total assets</b>		<b>25,138,578</b>	<b>16,650,482</b>	<b>16,294,826</b>
<b>Equity and liabilities</b>				
<i>Equity</i>				
Share capital	22	1,324,719	1,324,719	1,324,719
Share premium	23	434,037	434,037	434,037
Retained earnings	24	5,635,371	4,842,252	5,329,477
Total equity		<b>7,394,127</b>	<b>6,601,008</b>	<b>7,088,233</b>
<i>Liabilities</i>				
Borrowings	26	38,570	38,570	38,570
Retirement benefit obligation	27	257,465	324,782	300,514
Deferred tax liabilities	14	916,009	535,908	916,009
Total non-current liabilities		<b>1,212,044</b>	<b>899,260</b>	<b>1,255,093</b>
<i>Current liabilities</i>				
Bank overdraft	21	5,236	5,236	5,236
Trade and other payables	28	15,698,535	8,221,896	7,417,102
Current tax liabilities	13	828,636	923,082	529,162
Total current liabilities		<b>16,532,407</b>	<b>9,150,214</b>	<b>7,951,500</b>
<b>Total liabilities</b>		<b>17,744,451</b>	<b>10,049,474</b>	<b>9,206,593</b>
Total equity and liabilities		<b>25,138,578</b>	<b>16,650,482</b>	<b>16,294,826</b>

The financial statement and the notes on pages 6 to 37, were approved by the board on October 21, 2016 and were signed on its behalf by:



**Managing Director  
Paul Farrer**



**Finance Controller  
Iwamofe Tunde**

NASCON ALLIED INDUSTRIES PLC

Statement of Changes in Equity  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Share capital N'000	Share premium N'000	Revaluation reserve N'000	Retained earnings N'000	Total equity N'000
<b>Balance at 1 Jan, 2015</b>	<u>1,324,719</u>	<u>434,037</u>	<u>-</u>	<u>4,548,550</u>	<u>6,307,306</u>
Profit for the year				2,105,646	2,105,646
Other comprehensive income for the year (net of tax)	-	-	-	-	-
Total comprehensive income	-	-	-	2,105,646	2,105,646
Adjustment				-	-
Payment of dividends				(1,324,719)	(1,324,719)
<b>Balance at 31 Dec, 2015</b>	<u>1,324,719</u>	<u>434,037</u>	<u>-</u>	<u>5,329,477</u>	<u>7,088,233</u>
Profit for the year	-	-	-	1,763,085	1,763,085
Other comprehensive income for the year (net of tax)	-	-	-	-	-
Total comprehensive income	-	-	-	1,763,085	1,763,085
Payment of dividends				(1,457,191)	(1,457,191)
<b>Balance at 30 September, 2016</b>	<u>1,324,719</u>	<u>434,037</u>	<u>-</u>	<u>5,635,371</u>	<u>7,394,127</u>

**NASCON ALLIED INDUSTRIES PLC**

**Statement of Cash Flows  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Notes	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Cash flows from operating activities</b>				
Cash receipt from customers		12,685,629	9,671,668	16,171,724
Cash paid to suppliers and employees		<u>(11,995,597)</u>	<u>(6,701,476)</u>	<u>(11,407,447)</u>
	29	690,032	2,970,192	4,764,277
Tax paid		<u>(530,212)</u>	<u>(592,380)</u>	<u>(756,507)</u>
Net cash provided by operating activities		<b><u>159,820</u></b>	<b><u>2,377,812</u></b>	<b><u>4,007,770</u></b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets				-
Purchase of PPE	16	(362,249)	(989,719)	(1,015,233)
Proceed from sale of PPE		5,010	630	3,931
Interest received	8	21,799	418	9,258
Net cash provided by investing activities		<b><u>(335,440)</u></b>	<b><u>(988,671)</u></b>	<b><u>(1,002,044)</u></b>
<b>Cash flows from financing activities</b>				
Dividend paid	25	(1,457,191)	(1,324,719)	(1,324,719)
Interest paid		<u>(185,675)</u>	<u>(11,137)</u>	<u>(20,065)</u>
Net cash provided by financing activities		<b><u>(1,642,866)</u></b>	<b><u>(1,335,856)</u></b>	<b><u>(1,344,784)</u></b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>(1,818,486)</b>	<b>53,285</b>	<b>1,660,942</b>
<b>Cash and cash equivalents at 1 January 2016</b>	21	<b><u>2,543,457</u></b>	<b><u>882,515</u></b>	<b><u>882,515</u></b>
<b>Cash and cash equivalents at 30 September, 2016</b>		<b><u>724,971</u></b>	<b><u>935,800</u></b>	<b><u>2,543,457</u></b>

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **1. GENERAL INFORMATION**

National Salt Company of Nigeria Plc. (Now NASCON ALLIED INDUSTRIES Plc.) was incorporated in Nigeria as a limited liability company on 30 April 1973. It was fully privatized in April, 1992 and became listed on the Nigerian Stock Exchange on 20 October, 1992. At a general meeting held on 29 September 2006, the shareholders approved the acquisition of the assets, liabilities and business undertakings of Dangote Salt Limited and the issue and allotment of additional NASCON PLC shares as the purchase consideration. The major shareholder of the Company is Dangote Industries Limited that owns about 62.19% of the issued share capital, while the remaining 37.81% is held by the Nigerian public.

The ultimate controlling party is Greenview International Corporation.

The registered address of the Company is located at Salt City, Ijoko Ota, Ogun State.

##### **1.1 The principal activity**

The principal activity of the Company is the refining and sale of edible, refined, bulk and industrial salt, Tomato paste, Vegetable Oil as well as Seasoning. The Company's products are sold through distributors across the country.

##### **1.2 Financial period**

These financial statements cover the financial period from 1 January 2016 to 30 September 2016 with comparatives for the same period in 2015 and for year ended 31 December 2015.

##### **1.3 Going Concern status**

The Company has consistently turned in profits since 2007. The Directors believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on a going concern basis.

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **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.

##### **2.1 Statement of compliance with IFRS**

The financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements.

##### **2.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### **2.3 Functional and presentation currency**

These financial statements are presented in Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand.

###### **2.3.1 Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Naira, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

foreign currency monetary items are translated using the closing rate;

non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Naira by applying to the foreign currency amount the exchange rate between the Naira and the foreign currency at the date of the cash flow.

##### **2.4 Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, after deducting discounts, customer returns, VAT, volume rebates and other similar allowance. Sales are stated at their invoiced amount which is net of value added taxes and discounts.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits associated with the transaction will flow to the Company; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered (or collected, if sold under self-collection terms) and legal title is passed.

##### **2.5 Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, 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.

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **2.6 Employee Benefits**

##### **Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The entity was operating a defined benefit for its permanent Nigerian staff, the benefits under which are related to employees' length of service and final remuneration. However, the Board resolved to eliminate the scheme effective January, 2013.

#### **2.7 Taxation**

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

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other 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 substantively enacted by the end of the reporting period.

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates at the reporting sheet date. Education tax is assessed at 2% of the assessable profits.

##### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit and 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 recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **2.8 Property, plant and equipment**

##### **2.8.1 Recognition and measurement**

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Fixed assets 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, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statement of comprehensive income.

##### **2.8.2 Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### **2.8.3 Depreciation**

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings – 50 years (2%)
- Plant and Machinery – 15 years (6.67%)
- Motor Vehicles – 4 years (25%)
- Computer Equipment – 3 years (33.3%)
- Tools and Equipment – 4 years (25%)
- Furniture and Equipment – 5 years (20%)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Property, plant and equipment (cont'd)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

#### 2.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### Operating leases - Lessee

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 assets 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 assets are consumed.

Where there are no agreed lease terms, rent payable is recognised as incurred.

#### 2.10 Intangible assets

##### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Derecognition of intangible assets

An intangible asset is derecognized 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.

##### **Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Impairment of tangible and intangible assets excluding goodwill (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of engineering spares and consumable stock is determined on a weighted average basis. Cost of other stock (Raw materials, packaging materials, work in progress and finished goods) is determined on the basis of standard costs adjusted for variances. Standard costs are periodically reviewed to approximate actual costs.

Goods in transit are valued at the invoice price. Cost of inventory includes purchase cost, conversion cost (materials, labour and overhead) and other costs incurred to bring inventory to its present location and condition. Finished goods, which include direct labour and factory overheads, are valued at standard cost adjusted at year-end on an actual cost basis.

Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on an average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### 2.12 Provisions

Provisions are recognised when:

the Company 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 (when the time value of money is material).

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. Where 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 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.

If Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

##### 2.12.1 Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When the Company's management determine that it is probable that a liability for environmental costs exists and that its resolution will result in an outflow of resources, an estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only virtually certain insurance recoveries are recognized as an asset on the statement of financial position). When we do not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2.13 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### Classification

The Company classifies financial assets into the following specified categories:

Financial assets at fair value through profit or loss

Held-to-maturity investment

Loans and receivables

Available-for-sale financial assets

Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The Company's financial assets comprise loans and receivables.

##### Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability(debt) or an equity instrument in accordance with the substance of the contractual arrangement.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

##### Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses recognised in profit or loss include interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### Financial instruments designated as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all categories of 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 owner 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 asset, 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Derecognition of financial assets

The Company 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

The Company derecognises financial liabilities when, and only when the 0.73 billion'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 0.74 billion.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

#### Classification as debt or equity

Debt and equity instruments 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.

#### 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 Company are recognised at the proceeds received, net of direct issue costs.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly estimates future cash payments (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 financial liability, or (where appropriate) , a shorter period, to the net carrying amount on initial recognition.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss (FVTPL) or other liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term or on initial recognition;
- it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking;
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided on that basis; or it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

#### Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when the Company'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.

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when the Company'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.

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **2.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **2.15 Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached 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 Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the 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 Company with no future related costs are recognised in profit and 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 and the fair value of the loan based on prevailing market interest rates.

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's significant accounting policies, described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **3.1 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **3.2 Useful life of property, plant and equipment**

The Company reviewed and revised the estimated useful lives of its property, plant and equipment on transition to IFRS on 1 January, 2011, and under IFRS, has reviewed them annually at each reporting date. Useful lives are estimated based on the engineer's report, as at each reporting date. Some of the factors considered include the current service potential of the assets, potential cost of repairs and maintenance.

There is a degree of subjective judgment in such estimation which has a resultant impact on profit and total comprehensive income for the year.

#### **3.3 Allowance for credit losses**

The Company periodically assesses its trade receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of management, judgment is exercised in determining the allowances made for credit losses.

Provisions are made for receivables that have been outstanding for 365 days, in respect of which there is no firm commitment to pay by the customer.

Furthermore all balances are reviewed for evidence of impairment and provided against once recovery is doubtful. These assessments are subjective and involve a significant element of judgment by management on the ultimate recoverability of amounts receivable.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 4. New Standards and Interpretations

##### 4.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **Amendments to IAS 19: Defined Benefit Plans: Employee Contributions.**

The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to service then the contributions affect the remeasurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

The effective date of the amendment is for years beginning on or after July 1, 2014.

##### **Amendment to IFRS 2: Share-based Payment: Annual improvements project**

Amended the definitions of "vesting conditions" and "market conditions" and added definitions for "performance condition" and "service condition."

The effective date of the amendment is for years beginning on or after July 1, 2014.

##### **Amendment to IFRS 3: Business Combinations: Annual improvements project**

The amendment clarifies that contingent consideration in a business combination which meets the definition of a financial instrument shall be classified as a financial liability or equity. It further stipulates that contingent consideration which is required to be measured at fair value shall be done so by recognising changes in fair value through profit or loss. Reference to measuring contingent consideration to fair value through other comprehensive income has been deleted.

The effective date of the amendment is for years beginning on or after July 1, 2014.

##### **Amendment to IFRS 8: Operating Segments: Annual improvements project**

Management are now required to disclose the judgements made in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The effective date of the amendment is for years beginning on or after July 1, 2014.

##### **Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project**

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after July 1, 2014.

##### **Amendment to IAS 24: Related Party Disclosures: Annual improvements project**

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after July 1, 2014.

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**Amendment to IAS 38: Intangible Assets: Annual improvements project**

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after July 1, 2014.

**Amendment to IFRS 13: Fair Value Measurement: Annual improvements project**

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after July 1, 2014.

It is unlikely that the standard would have a material impact on the Company's financial statement.

**4.2 Standards and interpretations not yet effective**

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2016 or later periods:

**IFRS 14 Regulatory Deferral Accounts**

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after January 1, 2016.

The company expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendments will have a material impact on the company's financial statements.

**Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after January 1, 2016.

The company expects to adopt the amendments for the first time in the 2016 financial statements.

It is unlikely that the amendments will have a material impact on the company's financial statements.

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after January 1, 2016.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Identify the contract(s) with a customer.

Identify the performance obligations in the contract.

Determine the transaction price.

Allocate the transaction price to the performance obligations in the contract.

Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The company expects to adopt the standard for the first time in the 2018 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

#### 4.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2016 or later periods but are not relevant to its operations:

#### IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities as well as new hedging requirements. The following are the main changes from IAS 39:

Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.

Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.

For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.

Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the company changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.

Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.

IFRS 9 does not allow for investments in equity instruments to be measured at cost.

The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The new hedging provisions align hedge accounting more closely with the actual risk management approach.

Certain non-derivative financial instruments are now allowed as hedging instruments.

Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income.

The hedge effectiveness criteria have been amended, including the removal of the 80%-125% "bright line test" to qualify for hedge accounting.

The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship.

Additional disclosure requirements have been introduced for hedging.

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after January 1, 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's financial statements.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 5. Revenue

The following is the analysis of the entity's revenue for the period from continuing operations (excluding investment income- see note 8)

	<b>30/09/2016</b> <b>N'000</b>	<b>30/09/2015</b> <b>N'000</b>	<b>31/12/2015</b> <b>N'000</b>
Revenue from sales (Note 5.1)	11,208,724	8,718,774	14,207,146
Freight income	1,586,131	1,473,527	1,971,051
	<b>12,794,855</b>	<b>10,192,301</b>	<b>16,178,197</b>

**5.1** The amount represents revenue realised during the period on the sale of Edible, Refined, Bulk, Industrial salt as well as Seasoning, Tomato paste and Vegetable Oil.

**5.2** None of the customers contributed up to 10% of the total revenue earned in the period ended 30 September, 2016

Sales to distributors account for 80% of the Company's sales.

Others customers include leading blue chip companies in Nigeria, such as manufacturers of confectioneries, seasonings, refined edible oil, processed leather, noodles and oil refineries . They buy industrial salts of different grades and specifications.

**5.3** The company provides freight services to customers by transporting purchasee refined salt to their destinations. Freight income represents revenue earned and associated cost of running the freight services are rendered in cost of sales.

#### Distributors

The Company sells its products directly to distributors who redistribute to small wholesalers, confectioners, supermarkets and retailers. Salt retail packs come in various sizes 250g, 500g and 1kg and are sold under the brand name DANGOTE REFINED SALT. Seasoning are sold under the brand name DANQ, Tomato sold as DANGOTE TOMATO PASTE and Vegetable Oil sold as DANGOTE VEGETABLE OIL.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 6. Segmental information

The company has identified year reportable segments which represent the structure used by the Management to make key operating decisions and assess performance.

The company's reportable segments are treated as operating segments which are differentiated by the activities that each undertake, the products they manufacture and the markets they operate in.

These reportable segments as well as the products and services from which each of them derives revenue are set out below.

#### Segmental revenue and results

The Management assesses the performance of the operating segments based on the measure of EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructure costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to operating segments, as this type of activity is driven by the central treasury function. The results of discontinued operations are not included in the measure of EBITDA. This measure is consistent with all prior periods which are presented.

Transactions within the company take place at arms length.

#### Geographical Information

The company's revenue from customers by region of operations is listed below

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
EAST	824,147	917,307	1,042,076
WEST	3,561,396	2,140,383	4,503,136
NORTH	8,409,312	7,134,611	10,632,985
	<u>12,794,855</u>	<u>10,192,301</u>	<u>16,178,197</u>

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

<b>7. Cost of Sales</b>	<b>30/09/2016</b>	<b>30/09/2015</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Direct material cost	5,091,875	4,124,369	7,588,592
Direct labour cost	601,134	565,043	871,165
Manufacturing Expenses	578,505	462,198	833,815
External Haulage	1,604,850	1,201,918	1,690,141
Depreciation	609,454	538,927	743,405
Loading	70,796	61,962	91,961
	<b>8,556,614</b>	<b>6,954,417</b>	<b>11,819,079</b>

### 8. Investment income

#### Interest income:

Bank deposits	255	418	675
Fixed deposits	21,544	-	8,583
	<b>21,799</b>	<b>418</b>	<b>9,258</b>

The interest income on bank deposits were earned at the average rate of 2016: 6% (2015: 11%) per annum.

### 9. Other Income

Sale of scrap	1,905	8,144	18,330
Profit on sales of assets	4,209	-	51
Credits no longer required	-	16,192	49,262
Insurance Claim	-	9,311	12,831
Profit exchange differences	-	80,523	80,523
	<b>6,114</b>	<b>114,170</b>	<b>160,997</b>

Credits no longer required relates to the release of accruals for which there are no existing liabilities while in the prior year the amount relates to the release of credit balances in some depots which dates back to 2005.

### 10. Operating Expenses

#### 10.1 Distribution Expenses

Warehouse expenses	-	-	66
Branding expenses	463,043	26,434	76,135
Advertising	22,971	-	-
Market activation	14,638	22,937	67,564
Traveling and accommodation	7,498	8,245	22,720
Repairs and maintenance	7,835	5,602	3,931
Sales conference & customer forum	6,836	8,600	32,165
Telephone allowance & other expenses	14,533	4,816	16,041
	<b>537,354</b>	<b>76,634</b>	<b>218,622</b>

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 10.2 Administrative Expenses

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
Directors remuneration	107,048	82,816	104,770
Salaries & related staff costs	275,329	337,550	439,823
Management fee	85,259	67,500	114,649
Depreciation	107,512	72,602	102,849
Amortisation of licence	70,357	70,357	93,810
Impairment loss	-	-	6,962
Bank charge	19,447	11,137	15,649
Utilities	73,251	46,756	106,004
IT & communication cost / Insurance	84,638	81,208	136,899
Transport , travelling & Accommodation	25,025	40,811	24,460
Staff welfare	18,721	15,615	18,133
AGM Expenses	24,745	12,102	15,852
Audit fee	11,750	14,345	14,500
Legal, professional and development expenses	47,271	43,008	78,762
	<b>950,353</b>	<b>895,807</b>	<b>1,273,122</b>

#### 11. Finance Cost

Bank charges	185,675	-	20,065
	<b>185,675</b>	<b>-</b>	<b>20,065</b>

#### 12. Profit before tax for the year from continuing operations

Profit before tax for the year is arrived after charging the following:

Depreciation expense	716,966	611,530	846,254
Amortisation expense	70,357	70,357	93,810
Management fee	85,259	67,500	114,649
Director's remuneration	107,048	82,816	104,770
Legal and professional fees	47,271	43,008	78,762
Staff cost	876,463	902,593	1,423,170
Auditor's remuneration	11,750	14,345	14,500

Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

13. Taxation

Income tax recognised in profit or loss

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Current tax</b>			
Current tax expense	777,832	714,010	455,089
Education tax	51,855	47,600	76,728
	<u>829,687</u>	<u>761,610</u>	<u>531,817</u>
<b>Deferred tax</b>			
Deferred tax expense	-	-	380,101
Total income tax recognised in current year	<u>829,687</u>	<u>761,610</u>	<u>911,918</u>

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004, the Education Tax Act CAP E4, LFN 2004. Corporation tax and education tax is calculated at 30 % and 2% respectively of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

The income tax expense for the year can be reconciled to the accounting

Profit before tax from continuing operations	2,592,772	2,380,031	3,017,564
Income tax expense calculated at 30% (2015: 30%)	777,832	714,010	905,269
Education tax assessable at 2% of assessable profit	51,855	47,600	76,728
Effect of non - taxable income	-	-	(70,079)
Income tax expense recognised in profit and loss (relating to continuing operations).	<u>829,687</u>	<u>761,610</u>	<u>911,918</u>

Current tax assets and liabilities

Income tax payable	828,636	923,082	529,162
	<u>828,636</u>	<u>923,082</u>	<u>529,162</u>

Current tax liabilities in the statement of financial position

Balance, beginning of the year	529,162	753,852	753,852
Charge for the year	829,687	761,610	531,817
Payment made during the year.	(530,213)	(592,380)	(756,507)
Balance, end of the year	<u>828,636</u>	<u>923,082</u>	<u>529,162</u>

14. Deferred tax balance

Deferred tax liabilities	916,009	535,908	916,009
	<u>916,009</u>	<u>535,908</u>	<u>916,009</u>

Movement in deferred tax payable account

Balance, beginning of the year	916,009	535,908	535,908
Charge for the year	-	-	380,101
Balance, end of year	<u>916,009</u>	<u>535,908</u>	<u>916,009</u>

Deferred tax as at 31 December 2015 was as a result of differences between the rates of depreciation adopted for accounting purposes and the rates of capital allowances granted for tax purposes.

**NASCON ALLIED INDUSTRIES PLC**

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

Analysis of deferred tax is made up of:

	Opening balance	Recognized in profit or loss	Recognised in Other Comprehensive Income	Closing balance
<b>30/09/16</b>				
Deferred tax (asset) or liability in relation to:				
Property, plant and equipment	1,251,036	-	-	1,251,036
Allowance for doubtful debt	(335,027)	-	-	(335,027)
Provisions for employee benefit	-	-	-	-
Provision for obsolete spares	-	-	-	-
	<b>916,009</b>	<b>-</b>	<b>-</b>	<b>916,009</b>
<b>31/12/15</b>				
Deferred tax asset or liability in relation to:				
Property, plant and equipment	879,177	371,859	-	1,251,036
Allowance for doubtful debt	(343,269)	8,242	-	(335,027)
Provisions for employee benefit	-	-	-	-
Provision for obsolete spares	-	-	-	-
	<b>535,908</b>	<b>380,101</b>	<b>-</b>	<b>916,009</b>

**15. Earnings per share**

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
Profit for the year attributable to the owners of the company	1,763,085	1,618,421	2,105,646
Earnings used in the calculation of basic earnings per share	1,763,085	1,618,421	2,105,646
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,649,438	2,649,438	2,649,438
<b>Basic &amp; Diluted earnings per share (kobo)</b>			
From continuing operations	<b>89</b>	<b>81</b>	<b>79</b>

NASCON ALLIED INDUSTRIES PLC

Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

16. Property Plant and equipment

	FREEHOLD LAND & BUILDING N'000	PLANT & MACHINERY N'000	TOOLS & EQUIPMENT N'000	MOTOR VEHICLES N'000	COMPUTER EQUIPMENT N'000	FURNITURE & FITTINGS N'000	CAPITAL WORK- IN-PROGRESS N'000	TOTAL N'000
<b>COST:</b>								
Balance as at 1/1/2016	1,382,322	4,789,192	92,630	2,728,331	85,224	111,279	554,958	9,743,936
Additions		13,213	109,949	67,575	6,497	6,018	158,998	362,249
Disposal				(383,016)				(383,016)
Transfer		176,401	22,092				(198,493)	-
Adjustments							(3)	(3)
Balance at 30 September, 2016	<b>1,382,322</b>	<b>4,978,805</b>	<b>224,671</b>	<b>2,412,890</b>	<b>91,721</b>	<b>117,297</b>	<b>515,460</b>	<b>9,723,167</b>
<b>Accumulated depreciation and impairment</b>								
Balance at 1 January 2016	76,619	1,077,111	28,581	1,696,935	49,561	56,089	-	2,984,896
Depreciation expense	23,289	254,920	24,792	390,395	12,521	11,049	-	716,966
Eliminated on disposal	-	-	-	(355,836)	-	-	-	(355,836)
Balance at 30 September, 2016	<b>99,908</b>	<b>1,332,031</b>	<b>53,373</b>	<b>1,731,495</b>	<b>62,082</b>	<b>67,138</b>	<b>-</b>	<b>3,346,026</b>
<b>Carrying amount</b>								
Balance at 30 September, 2016	<b>1,282,414</b>	<b>3,646,775</b>	<b>171,298</b>	<b>681,395</b>	<b>29,638</b>	<b>50,160</b>	<b>515,460</b>	<b>6,377,140</b>
At 31 December 2015	<b>1,305,702</b>	<b>3,712,080</b>	<b>64,049</b>	<b>1,031,398</b>	<b>35,663</b>	<b>55,189</b>	<b>554,957</b>	<b>6,759,039</b>

16.1 Work-in-progress

Work-in-progress comprises amounts expended on palm oil tank farm at Apapa and Oregon plant rehabilitation.

16.2 Adjustments to capital work in progress

The adjustment during the year represent additional cost on purchase of plastic pallets expensed to profit and loss account in the current year.

16.3 Assets pledged as security

None of the company's assets were pledged as security for any liabilities as at 30 September, 2016 (2015:Nil).

16.4 Impairment Assessment

There was no impairment loss or gain recognised as at 30 September, 2016 and none for 2015.

Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

17. Intangible Assets

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Cost</b>			
At January 2016	281,429	281,429	281,429
Additions	-	-	-
Balance at 30 September, 2016	<u>281,429</u>	<u>281,429</u>	<u>281,429</u>
<b>Amortization</b>			
At January 2016	140,246	46,436	46,436
Amortization expenses	70,357	70,357	93,810
Balance at 30 September, 2016	<u>210,603</u>	<u>116,793</u>	<u>140,246</u>
<b>Carrying amount</b>			
Balance at 30 September, 2016	<u>70,826</u>	<u>164,636</u>	<u>141,184</u>

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

18. Other assets

<b>Prepayments:</b>			
Rent	62,469	44,796	42,191
Insurance	6,085	3,033	1,366
Medical	-	-	7,848
Deposit for import	5,877,398	297,132	8,958
	<u>5,945,952</u>	<u>344,961</u>	<u>60,363</u>
Current	5,940,439	334,091	51,175
Non-current	5,513	10,870	9,188
	<u>5,945,952</u>	<u>344,961</u>	<u>60,363</u>

19. Inventories

Raw materials	2,226,078	2,725,076	1,200,028
Finished goods	427,762	469,763	389,349
Spare parts and consumables	187,610	95,785	112,788
Packaging Materials	410,446	159,294	203,161
Oil and Lubricants	41,202	31,831	27,675
	<u>3,293,098</u>	<u>3,481,749</u>	<u>1,933,001</u>

19.1 Inventory pledged as security

No inventory was pledged as security for any liability.

**NASCON ALLIED INDUSTRIES PLC**

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**20. Trade and other receivables**

	<b>30/09/2016</b>	<b>30/09/2015</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Trade debtors	1,384,821	1,730,679	1,279,586
Impairment for bad debts	<u>(803,701)</u>	<u>(816,243)</u>	<u>(803,701)</u>
	581,120	914,436	475,885
Amounts due from related parties	7,917,173	3,404,183	4,002,541
Employee loans and advances	79,176	110,959	78,189
Advance to vendors	148,201	217,721	277,626
Transport income receivable	-	-	12,080
Insurance claim receivable	12,366	19,812	36,737
Value added tax	<u>-</u>	<u>4,945</u>	<u>1,792</u>
	<b>8,738,036</b>	<b>4,672,056</b>	<b>4,884,850</b>
Allowance for insurance receivable	-	(15,623)	(15,623)
Allowance for staff loans	<u>(16,681)</u>	<u>-</u>	<u>(16,681)</u>
	<b>8,721,355</b>	<b>4,656,433</b>	<b>4,852,546</b>

Trade receivables disclosed below are carried at cost less allowance for doubtful debts.

The average credit period taken on sales of goods is 30 days. No interest is charged on outstanding trade receivables. It is the company's policy to recognise a 100% allowance on receivables that are due for over 365 days based on management judgment that those receivables are unlikely to be recovered. Allowances for doubtful debts are recognised against trade receivables between 60 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current financial position.

Trade receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality.

**20.1 Credit quality of trade and other receivables**

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Movement in allowance for doubtful debt**

At 1 January	803,701	816,243	816,243
Reclassified to inter-company balance	-	-	<u>(12,542)</u>
At 30 September, 2016	<b>803,701</b>	<b>816,243</b>	<b>803,701</b>

**20.2 Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. There was nothing past due nor impaired as at September 30, 2016 as well as 2015.

**The aging of amounts past due but not impaired is as follows:**

0-30 Days	322,663	579,672	295,490
31-60 Days	92,103	257,870	133,071
61-90 Days	41,868	76,895	47,324
91-180 Days	<u>124,486</u>	<u>-</u>	<u>-</u>
Total	<b>581,120</b>	<b>914,436</b>	<b>475,885</b>

**Trade and Other receivables impaired**

In determining the recoverability of a trade receivable, the Company 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.

**The aging of these receivables is as follows:**

360 + days	803,701	816,243	803,701
	<b>803,701</b>	<b>816,243</b>	<b>803,701</b>

NASCON ALLIED INDUSTRIES PLC

Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

21. Cash and Bank

Cash on hand	7,455	5,723	2,912
Bank balance	722,752	935,313	2,545,781
	730,207	941,036	2,548,693
Bank overdrafts	(5,236)	(5,236)	(5,236)
	<b>724,971</b>	<b>935,800</b>	<b>2,543,457</b>

22. Share capital

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
<b>Authorised share capital:</b>			
4,000,000,000 ordinary shares of 50kobo each	2,000,000	2,000,000	2,000,000
<b>Issued and fully paid:</b>			
2,649,438,000 ordinary shares of 50kobo each	1,324,719	1,324,719	1,324,719
	<b>1,324,719</b>	<b>1,324,719</b>	<b>1,324,719</b>

23. Share Premium

1995 :Rights issue 65,846,667 ordinary shares of 50k each at 2.84 premium	156,793	156,793	156,793
2007: Share Conversion	404,303	404,303	404,303
Less Deferred charges written off	(127,059)	(127,059)	(127,059)
	<b>434,037</b>	<b>434,037</b>	<b>434,037</b>

24. Retained earnings

At 1 January	5,329,477	4,548,550	4,548,550
Dividend declared and paid	(1,457,191)	(1,324,719)	(1,324,719)
Profit for the year	1,763,085	1,618,421	2,105,646
	<b>5,635,371</b>	<b>4,842,252</b>	<b>5,329,477</b>

**NASCON ALLIED INDUSTRIES PLC**

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**25. Dividend**

	<b>30/09/2016 N'000</b>	<b>30/09/2015 N'000</b>	<b>31/12/2015 N'000</b>
Summary			
At 1 January	-	-	-
Dividend declared	(1,457,191)	(1,324,719)	1,324,719
	(1,457,191)	(1,324,719)	1,324,719
Payments - Meristem Registrars	1,457,191	1,324,719	(1,324,719)
At 30 September, 2016	-	-	-

**26. Borrowings**

**Held at amortised cost:**

Government grant	<b>38,570</b>	<b>38,570</b>	<b>38,570</b>
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At the time of privatisation in 1992, the debt owed the Federal Government of Nigeria by the company was restructured by the Bureau for Public Enterprise. The Board of Directors has taken steps to obtain a waiver of the loan from the Federal Government of Nigeria.

**27. Retirement benefit obligation**

**27.1 Movement in gratuity**

<b>Balance as at 1 January</b>	300,514	327,986	327,986
Current Service cost	-	-	-
Benefits paid out	(43,049)	(3,204)	(27,472)
<b>Balance as at 30 September, 2016</b>	<b>257,465</b>	<b>324,782</b>	<b>300,514</b>

As at the date of the valuation, no fund has been set up from which payments can be disbursed.

**27.2 Defined benefit Plan**

The entity operated a defined benefit plan for its permanent Nigerian staff which are related to employees' length of service. The scheme was stopped by the Board of Directors resolution made on 15th January, 2013.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Defined contribution plans

The employees of the company are members of a state arranged Pension Reform Act of 2014. The assets of the plans are held separately from those of the Company and managed by Pension Fund Administrators. The scheme is funded in accordance with the Pension Reform Act of 2014 with the employee and employer contribution representing 8% and 10% respectively of the employee's relevant emoluments effective July 2014

#### Staff pension

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
At 1 January	7,192	6,186	6,186
Contributions during the year	72,317	102,546	134,843
Remittance in the year	(79,510)	(100,734)	(133,837)
At 30 September, 2016	<u>-</u>	<u>7,998</u>	<u>7,192</u>

The only obligation of the company with respect to the pension scheme is to make the specified contributions. The total expense recognised in profit or loss of N40.06m represents contributions payable to this plan by the company as at 30 September, 2016.

#### 28. Trade and other payables

Trade creditors	876,088	655,364	489,548
Amounts due to related parties	12,775,434	5,325,312	5,992,022
Other creditors and accruals	857,549	386,162	146,383
Customers deposit	1,167,344	1,827,866	720,141
Withholding tax payable	8,378	18,957	25,117
Other payables	-	234	36,699
Staff pension	-	8,001	7,192
Value added tax	13,742	-	-
	<u>15,698,535</u>	<u>8,221,896</u>	<u>7,417,102</u>
<b>Customer's deposit</b>			
New deposits	<u>1,167,344</u>	<u>1,827,866</u>	<u>720,141</u>
At 30 September, 2016	<u>1,167,344</u>	<u>1,827,866</u>	<u>720,141</u>

Customers' deposits relate to amount deposited by customers for which delivery has not been made during the period.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables. The directors consider that the carrying amount of trade payables approximates to the fair value.

Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

29. Reconciliation of net income to net cash  
provided by operating activities

	30/09/2016 N'000	30/09/2015 N'000	31/12/2015 N'000
Profit after tax	2,592,772	2,380,031	3,017,564
<b>Adjustments to reconcile profit after tax to net cash provided</b>			
Capital work - in - progress expenses			
Depreciation	716,966	611,530	846,254
Amortisation of intangible assets	70,357	70,357	93,810
Interest payable and similar charges (Note 11)	185,675	11,137	20,065
Interest receivable and similar income (Note 8)	(21,799)	(418)	(9,259)
Adjustment to fixed assets	3	-	89,538
Profit on sale of assets (Note 9)	22,172	(629)	(51)
<b>Changes in assets and liabilities</b>			
(Increase)/decrease in inventory	(1,360,097)	(2,010,181)	(461,433)
Decrease/(increase) in trade and other receivables	(3,868,809)	(287,342)	(1,635,744)
Decrease/(increase) in other assets - short term	(5,889,264)	(1,464,627)	(4,425)
(Increase)/decrease in other assets - long term	3,675	3,675	5,357
Increase/(decrease) in trade and other payables	8,281,430	3,659,863	2,830,073
Decrease in retirement benefit obligation	(43,049)	(3,204)	(27,472)
Decrease in tax payable	-	-	-
Total adjustments	<b>(1,902,740)</b>	<b>590,161</b>	<b>1,746,713</b>
<b>Net cash provided by operating activities</b>	<b>690,032</b>	<b>2,970,192</b>	<b>4,764,277</b>

30. Categories of financial instruments

Assets

Trade and other receivables	8,721,355	4,656,433	4,852,546
Cash and cash equivalents	730,207	941,036	2,548,693
	<u>9,451,562</u>	<u>5,597,469</u>	<u>7,401,239</u>

Liabilities

Overdraft	5,236	5,236	5,236
Trade and other payables	15,698,535	8,221,896	7,417,102
	<u>25,155,333</u>	<u>13,824,601</u>	<u>14,823,577</u>

### **31. Risk management**

#### **31.1 Capital Risk Management**

The capital structure of the company consists of net debt (which includes the borrowings disclosed in note 23, offset by cash and cash equivalents) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in relevant notes in the financial statements.

The Company monitors its capital structure to ensure that the target debt equity ratio as stated in its debt covenants is not exceeded. The company is not subject to any externally imposed capital requirements.

#### **31.2 Gearing ratio**

The Company is minimally geared for the reporting and comparative years.

#### **31.3 Financial risk management**

Risk management roles and responsibilities are assigned to stake holders in the company at three levels: The board, executive committee and line managers.

The Board oversight is performed by the Board of Directors through the Finance and Establishment Committee.

The second level is performed by the Executive Management Committee (EXCO).

The third level is performed by all line managers under EXCO and their direct reports. They are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Internal Audit Department provides an independent assurance of the risk frame work. They assess compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors.

The Company monitors and manages financial risks relating to its operations through internal risk report which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

#### **31.4 Foreign currency financial and credit risk**

The company is exposed to market, credit and liquidity risks. The parent company's internal audit and risk management team is responsible for monitoring its exposure to each of the mentioned risks. This policy provides guidance over all treasury and finance related matters and is underpinned by delegated authority guidelines and detailed procedures. The main objectives of the policy are to ensure that sufficient liquidity exists to meet the operational needs of the business to maintain the integrity and liquidity of the investment portfolio and to manage the impact of foreign exchange and interest rate volatility on the company's net income.

#### **31.5 Sensitivity analysis for interest rate**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it does not have either floating or fixed interest bearing financial liabilities outstanding at the reporting date. Its cash and cash equivalents with financial institutions have fixed interest rates.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 31.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate (bank guaranty, insurance bonds), as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information, customers financial position, past trading relationship, its own trading records and other factors to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management team periodically.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

About 16% of the trade receivables are due from a single customer whose credit history is good. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are otherwise diverse including both corporate and individual. The requirement for impairment is analyzed at each reporting date on an individual basis for corporate and individual customers

The carrying value of the Company's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	<b>30/09/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Trade Receivables	581,120	475,885
Other Receivable	223,062	326,443
Cash and cash equivalents	<u>730,207</u>	<u>2,548,693</u>
	<b><u>1,534,389</u></b>	<b><u>3,351,021</u></b>

#### 31.7 Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with its corporate treasury policy that spells out counterparty limits, list of financial institutions that the company deals with and the maximum tenure of fixed term funds. Surplus funds are spread amongst these institutions and funds must be within credit limits assigned to each counter party. Counterparty credit limits are reviewed by the Corporate Treasurer periodically and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through the potential counterparty's failure.

## NASCON ALLIED INDUSTRIES PLC

### Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 31.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-medium and long-term funding and liquidity management requirements. The Company 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 following tables detail the company's remaining contractual maturity for its non-derivative 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 Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

<b>At September, 2016</b>	<b>0-3 months N'000</b>	<b>3-6 months N'000</b>	<b>Total N'000</b>
<b>Financial liabilities</b>			
Trade payables	853,519	-	853,519
Other payables	857,549	-	857,549
Due to related parties	1,989,832	5,181,481	7,171,313
Overdrafts	-	5,236	5,236
Government grant	-	38,570	38,570
	<b><u>3,700,900</u></b>	<b><u>5,225,287</u></b>	<b><u>8,926,187</u></b>
<b>At December, 2015</b>	<b>0-3 months N'000</b>	<b>3-6 months N'000</b>	<b>Total N'000</b>
<b>Financial liabilities</b>			
Trade payables	440,287	49,262	489,549
Other payables	823,780	111,752	935,532
Due to related parties	3,510,798	2,481,224	5,992,022
Overdrafts	-	5,236	5,236
Government grant	-	38,570	38,570
	<b><u>4,774,865</u></b>	<b><u>2,686,044</u></b>	<b><u>7,460,909</u></b>

#### 32. Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	<b>Book Value</b>		<b>Fair Value</b>	
	<b>30/09/2016 N'000</b>	<b>31/12/2015 N'000</b>	<b>30/09/2016 N'000</b>	<b>31/12/2015 N'000</b>
<b>Financial Asset</b>				
Trade and other receivables	8,721,355	4,852,546	8,721,355	4,852,546
Cash and cash equivalents	730,207	2,548,693	730,207	2,548,693
<b>Financial Liabilities</b>				
Bank Loans (Overdrafts)	5,236	5,236	5,236	5,236
Trade and Other Payables	15,698,535	7,417,102	15,698,535	7,417,102
Employee Benefit	257,465	300,514	257,465	300,514
Government Grant	38,570	38,570	38,570	38,570

The Book value of the Trade and other receivables is arrived at by factoring allowance for doubtful debts on trade receivables and other receivables.

The carrying amount of bank overdrafts and loans is approximately equal to their fair value.

**NASCON ALLIED INDUSTRIES PLC**

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**33. Related parties**

	<b>30/09/2016 N'000</b>	30/09/2015 N'000	31/12/2015 N'000
<b>Intercompany receivables</b>			
Dangote Pasta Limited	7,918	7,918	7,918
Dangote Sugar Refineries	45,697	-	30,657
Dangote Noodles Limited	5,044	5,044	5,044
Dangote Cement - Ibeshe	16,664	52,572	37,274
Dangote Cement - Gboko	4,320		
Dangote Cement - Obajana	5,758	478	478
Dangote Foundation	12,542	12,542	12,542
Bulk Commodities Ltd	7,831,773	3,325,629	3,921,171
Provision for doubtful related party receivables	(12,542)	-	(12,542)
	<b>7,917,173</b>	<b>3,404,183</b>	<b>4,002,541</b>
<b>Intercompany payables</b>			
<b>Parent and ultimate controlling party</b>			
Dangote Industries Limited (Parent)	5,850,326	2,458,294	1,582,922
<b>Other related party payables</b>			
Dangote Pasta Limited			
Dangote Sugar Refineries	2,928	702	-
Dansa Foods Limited	300	25,612	500
Dangote Cement	24,194	24,194	24,194
Obajana Cement			
Agrosack Ltd	75,504	112,040	59,823
Dangote Transport	22,962	22,962	22,962
Dangote Head office	845,075	633,791	634,178
Dangote Foundation	-	-	11,690
Benue Cement	81,922	81,922	81,922
Benue Cement-Truck scheme	54,398	54,398	54,398
DANCOM	10,520	1,523	12,750
Bulk Commodities Ltd	5,807,305	1,909,874	3,506,683
Provision for doubtful related party receivables	-	-	-
	<b>6,925,108</b>	<b>2,867,018</b>	<b>4,409,100</b>
	<b>12,775,434</b>	<b>5,325,312</b>	<b>5,992,022</b>

**NASCON ALLIED INDUSTRIES PLC**

**Notes to the Financial Statements  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**Identity of related parties**

<u>Related parties</u>	<u>Nature of related party transactions</u>
Dangote Transport Limited	Fellow subsidiary company -- provides haulage services
Dangote Sugar Refinery Plc.	Fellow subsidiary company -- buys crude salt and also provide warehouse facility for which NASCON pays rent
Dansa Foods Limited	An entity controlled by a key management personnel of the Company that has trading relationship with the Company.
Dangote Flour Mills Plc.	Fellow subsidiary
Dangote Pasta Limited	Fellow subsidiary - NASCON provides haulage services
Dangote Industries Limited	Parent company -- provides management support
Dangote Noodles Limited	Fellow subsidiary company -- buys Table salt
Dangote Agrosacks	Fellow subsidiary -- Supplies empty sacks for bagging finished
Green view Development Company Limited	Fellow subsidiary
Benue Cement	Fellow subsidiary-NASCON buys trucks
DANCOM	Fellow subsidiary-Service provider for IT services
Dangote Cement Plc.	Fellow subsidiary company that buys crude salt
Obajana Cement	Fellow subsidiary -NASCON provides haulage services
Bulk Commodities	Fellow subsidiary (Agent for purchase of raw salt)
Dangote Fundation	Fellow subsidiary

**Information regarding Director and employees**

**34. Directors**

	<b>30/09/2016</b>	<b>30/09/2015</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Director's emoluments comprise:			
Fees	14,275	14,275	19,072
Others	92,773	63,624	85,698
	<b>107,048</b>	<b>77,899</b>	<b>104,770</b>

The number of Directors excluding the Chairman with gross emoluments within the bands stated below were :

N'000	Number	Number	Number
0 - 5000	9	8	8
20000 -25000	-	-	-
26000 -31000	-	-	-
38000 -43000	1	1	1
	<b>10</b>	<b>9</b>	<b>9</b>

**35. Employees**

Number of employees in receipt of emoluments excluding allowances and pension costs within the following ranges were:

N'000	486	515	524
0 - 5000	11	18	5
5000 -10000	<b>497</b>	<b>533</b>	<b>529</b>

Average number of employees employed during the year:

	Number	Number	Number
Management	31	23	25
Senior Staff	123	128	134
Junior Staff	343	382	370
<b>Total</b>	<b>497</b>	<b>533</b>	<b>529</b>

Aggregate payroll costs:

Wages, salaries, allowances and other benefits	836,408	902,593	1,350,060
Pension cost	40,055	61,969	75,577

## **NASCON ALLIED INDUSTRIES PLC**

### **Notes to the Financial Statements FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **36. Capital commitments**

##### **Oregon Rehabilitation**

The Company's total capital commitments as at September 30, 2016 amounted to N132 million in respect of Port Harcourt and Oregon rehabilitation (2015: N154.3 million).

#### **37. Contingent assets and Contingent liabilities**

There were no contingent assets and liabilities as at 30 September, 2016 ( 31 December 2015: Nil).

#### **38. Approval of financial statements**

The board approved the financial statements during its meeting of 21st October, 2016