

**ASHAKACEM PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**ASHAKACEM PLC**

**FINANCIAL STATEMENTS**

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**ASHAKACEM PLC**

**CORPORATE INFORMATION**

**DIRECTORS**

Mallam Sufeiman Yahyah Ismail	- Chairman
Michel Puchercos	Appointed 1 April 2016
Leonard Palker	Managing Director Resignation 13 April, 2016
Mrs. Edith Onwuchekwa	- Vice Chairman
Mr Rabiul Umar	- Managing Director
Mr Anders Kristiansson	- CFO Resignation 30 September, 2016
Mr. Bruno Bayet	- Finance Director/CFO
HRH Alhaji Muhammadu Abubakar Kwairanga	- Director
Mr. Peter Hoddinott	- Executive Director Resignation 10th May 2016

**COMPANY SECRETARY/**

**LEGAL ADVISER:** Zainab Silas Umaru Esq

**REGISTRATION NUMBER:** RC 13422

**REGISTERED OFFICE:** Ashaka Works, Near Gombe,  
Gombe State, Nigeria

**AUDITORS:** Ernst & Young  
(Chartered Accountants)  
10th & 13th Floors, UBA House,  
57 Marina, Lagos, Nigeria

**REGISTRARS:** Cardinal Stone (Registrars) Limited  
(Formerly City Securities Limited)  
358 Herbert Macaulay, Yaba  
Lagos

**BANKERS:** Access Bank Plc  
Citi Bank Nigeria Limited  
First Bank of Nigeria limited  
First City Monument Bank Plc  
Guaranty Trust Bank Plc  
Stanbic IBTC Bank Plc  
United Bank for Africa Plc  
Zenith Bank Plc

**SOLICITORS:** A. Dauda & Co.  
Opp. Coops Central Stores  
Biu Road, Gombe, Gombe State  
Nigeria

Bayo Osipitan & Co  
2A Ireti Street, Sabo  
Yaba, Lagos.  
Nigeria

**STOCKBROKERS:** Unex Securities & Investment Ltd  
3, Biaduo Street, Off Keffi Street  
S.W. Ikoyi, Lagos  
Nigeria

**ASHAKACEM PLC****RESULTS AT A GLANCE**

	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>%</b>
	<b>N'000</b>	<b>N'000</b>	<b>Change</b>
Revenue	17,351,235	17,414,893	(0.37)
Profit before tax	2,663,283	3,209,246	17.01
Profit for the year	2,014,546	2,761,360	27.05
Retained earnings	53,574,139	51,895,511	3.23
Share capital	1,119,727	1,119,727	-
Shareholders' fund	54,693,866	53,015,238	3.17

**PER SHARE DATA:**

Based on 2,239 (2014:2,239) million ordinary shares of 50k each:

Earnings per share (Kobo):

- Basic and diluted 90 123 26.86

Net assets per share (Kobo)

- Basic 2,442 2,367 3.17

Stock Exchange quotation at 31 December (Naira)

12.02 25.00 (51.92)

**Cement deliveries ('000 tonnes)**

609 572 6.46

**Number of employees (number)**

417 464 (10.13)

**ASHAKACEM PlC**

**Statement of Directors' Responsibilities for the preparation and approval of the Financial Statements  
For the year ended 31 December 2016**

The Directors of Ashakacem Plc are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the company as at 31 December 2016 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

The Directors are responsible for:

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

**Going Concern:**

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the company for the year ended 31 December 2016 were approved by directors on 28 March 2017

On behalf of the Directors of the Company



Mallam Suleiman Yahyah, OON  
Chairman  
FRC/2013/CiSN/0000003340



Rabiu Umar  
Managing Director  
FRC/2017/ODN/00000016180



Bruno Bayel  
Chief Finance Officer  
FRC/2014/MULTI/00000008554



A Subsidiary of Lafarge Africa Plc

## AshakaCem PLC

RC 13,422

Ashaka Works, Near Gomba, Gombe State.

☎+234 (0)802 292 4941-2 Ext 201

### Lagos

Plot 193 Jide Oki St,

Victoria Island Annex.

PMB 12696, Lagos.

☎(01)2612207-2612223

### Abuja

54, Lome Street,

Wuse Zone 7, Abuja

☎(09)5235496 - 9

### Kano

1, AuduBako Way,

PMB 3276, Kano

☎(064)634908 646960

Telex: 23107, ASHCEN, NC

## REPORT OF THE AUDIT COMMITTEE

in accordance with Section 359 (6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 (CAMA), we, the members of the Audit Committee have reviewed and considered the Auditor's Report required to be made in accordance with Section 359 (3) of CAMA and report as follows:

- i. We have reviewed the scope and planning of the audit requirements.
- ii. We have reviewed the External Auditors' Management Letter for the year ended together with Management's responses.
- iii. We also ascertained that the accounting and reporting policies of the Company for the year ended 31<sup>st</sup> December 2016 are in accordance with legal requirements and agreed ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31<sup>st</sup> December, 2016 were adequate and Management's responses to the Auditors' findings were satisfactory.

Dated 28<sup>th</sup> day of March 2017

Bashir A. Mohammed  
Chairman, Audit Committee

Note: The Financial Reporting Council of Nigeria had on 7<sup>th</sup> April 2017 granted a waiver allowing the Chairman of the Audit Committee to sign the Company's 2016 Annual Report & Financial Statement without indicating his FRC registration number along with the certification.



## Independent Auditors' Report

To the members of AshakaCem Plc

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of AshakaCem Plc which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of AshakaCem Plc as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act No 6, 2011.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA)* and other independence requirements applicable to performing audits of AshakaCem. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of AshakaCem Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Independent Auditors' Report**

To the members of AshakaCem Plc

**Report on the Audit of the Financial Statements - continued**

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment assessment of Capital Work In Progress.</p> <p>The Kiln Preheater project amounting to N3.3billion representing 4% of Total assets, had been suspended since 2009 due to security concern at the project site. The project site is situated in the North-East region of Nigeria and the equipment already installed for this project site stands the risk of becoming obsolete due to change in technological advancement. The amount incurred so far is included in Capital work in progress and no impairment charge has been recorded with regards to the project. This area is significant to our audit as the recoverable amount of the asset (Kiln Preheater) is contingent on future cash flows and there is a risk that the assets might be impaired. The impairment reviews performed by management contain a number of assumptions that are subject to significant judgments and estimates including revenue growth, profit margins and discount rates. Due to the uncertainty of forecasting and discounting expected future cash flows and the significance of the asset value (N3.3 billion), this has been identified as a Key Audit Matter.</p>	<p>Our audit procedures on impairment testing included among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the group's policies and procedures to identify triggering events for potential impairment of assets.</li> <li>• We challenged management's cash flow assumptions and corroborated them by comparison to mid-term plan, available market reports and historic trend analyses (value in use).</li> <li>• Our internal valuation expert evaluated the applied discount rate used in the computation by benchmarking against independent data.</li> <li>• We benchmarked projected growth rates to external macroeconomic and market outlook, taking the results of both these into account.</li> <li>• We made enquiry from management about the obsolescence of the assets.</li> </ul>

**Other Information**

The Directors are responsible for the other information. The other information comprises the Report of the Directors and the Report of Audit Committee as required by the Companies and Allied Matters Act (CAMA), the Corporate Governance Report as required by the Securities and Exchange Commission, and the Statement of Value Added and Five-Year Financial Summary as required by CAMA and the Financial Reporting Council of Nigeria, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.



## Independent Auditors' Report

To the members of AshakaCem Plc

### Report on the Audit of the Financial Statements - continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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working world

## Independent Auditors' Report

To the members of AshakaCem Plc

### Report on the Audit of the Financial Statements - Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Maureen Ogodo  
FRC/2012/ICAN/0000000142  
For: Ernst & Young  
Lagos, Nigeria

28 March .....2017



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Note</b>	<b>31/12/2016</b> <b>N'000</b>	<b>31/12/2015</b> <b>N'000</b>
Revenue	6	17,351,235	17,414,893
Cost of sales	7	(14,573,724)	(12,009,541)
<b>GROSS PROFIT</b>		<b>2,777,511</b>	<b>5,405,352</b>
Sales and marketing expenses	7.1	(166)	(815,698)
General and administrative expenses	7.2	(2,535,744)	(4,357,008)
Other income	8	1,571,447	1,766,350
Finance income	9	872,993	1,220,965
Finance cost	7.3	(22,758)	(10,715)
<b>PROFIT BEFORE TAX</b>		<b>2,663,283</b>	<b>3,209,246</b>
Income tax expense	10	(648,737)	(447,886)
<b>PROFIT FOR THE PERIOD</b>	12	<b>2,014,546</b>	<b>2,761,360</b>
<b>NET INCOME</b>		<b>2,014,546</b>	<b>2,761,360</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,014,546</b>	<b>2,761,360</b>
<b>Earnings per share</b>			
Basic and Diluted (kobo)	11	90	123

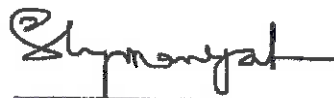
See notes to the financial statements

**ASHAKACEM PLC**  
**Financial statements**  
**As at 31 December 2016**

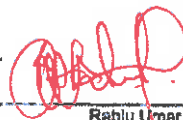
**STATEMENT OF FINANCIAL POSITION**

	Note	31/12/2016 N'000	31/12/2015 N'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	13	49,858,778	50,320,782
Intangible assets	14	46,816	66,349
<b>Total non current assets:</b>		<b>50,005,395</b>	<b>50,387,131</b>
<b>Current assets</b>			
Inventories	15	4,726,760	4,508,695
Trade and other receivables	16	1,129,850	430,783
Cash and cash equivalents	19	5,672,917	6,922,691
Other Financial Assets	18	7,030,695	3,574,353
Prepayment & Other Assets	17	8,063,971	4,652,672
<b>Current assets</b>		<b>24,624,291</b>	<b>19,988,994</b>
<b>TOTAL ASSETS</b>		<b>74,629,686</b>	<b>70,376,125</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	1,119,727	1,119,727
Retained earnings		53,574,139	51,895,511
<b>TOTAL EQUITY</b>		<b>54,693,866</b>	<b>53,015,238</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax	21.1	10,221,490	9,904,109
Retirement benefits obligation	23	249,374	-
Provisions	25	109,167	59,800
<b>Total non current liabilities</b>		<b>10,580,031</b>	<b>9,963,909</b>
<b>Current liabilities</b>			
Trade and other payables	22	8,701,060	6,908,439
Income tax payable	21	654,729	488,539
<b>Total current liabilities</b>		<b>9,355,789</b>	<b>7,396,978</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>74,629,686</b>	<b>70,376,125</b>

These financial statements were approved and authorized for issue by the Board of Directors on 28 March, 2017 and were signed on its behalf by



Maliam Sulaman Yehyah, OON  
 Chairman  
 FRC/2013/CISN/00000003340



Rablu Umar  
 Managing Director  
 FRC/2017/ODN/00000016180



Eyoa-Boyd  
 Chief Finance Officer  
 FRC/2014/MUL/T/00000009554

**ASHAKACEM PLC**  
*Financial statements*  
For the year ended 31 December 2016

**STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital N'000	Retained earnings N'000	Total equity N'000
<b>Balance as at 1 January, 2015</b>		1,119,727	50,141,905	51,261,632
Net income for the year		-	2,761,360	2,761,360
Dividend paid	24.1	-	(1,007,754)	(1,007,754)
<b>Balance as at 31 December 2015</b>		<b>1,119,727</b>	<b>51,895,511</b>	<b>53,015,238</b>
<b>Net income for the year 2016</b>		-	2,014,546	2,014,546
Dividend paid	24.1		(335,918)	(335,918)
<b>Balance as at 31 December 2016</b>		<b>1,119,727</b>	<b>53,574,139</b>	<b>54,693,866</b>

**STATEMENT OF CASH FLOWS**

*For the year ended December 31, 2016*

	Note	31/12/2016 N'000	31/12/2015 N'000
<b>Profit after tax</b>		<b>2,014,546</b>	<b>2,761,360</b>
<b>Adjustment to reconcile net income to net cash generated from operating activities:</b>			
Depreciation charged	13	1,701,952	1,675,245
Amortisation charged	14	19,733	19,679
Write off of property, plant and equipment	7.2	-	187,678
Write offs for consumables to net realisable value		817,598	316,885
(Gain)/loss on disposal of property, plant and equipments	8	361	(41,978)
Write back of property plant and equipment	8	(182,927)	-
Net unrealised exchange gain/ (loss)	8	(1,040,535)	(392,711)
Service costs on long service award	23	249,374	-
Change in site restoration costs	25	26,609	49,085
Finance income recognised in profit or loss	9	(872,993)	(1,220,965)
Finance cost	7.3	22,758	10,715
Income tax charged	10	648,737	447,886
<b>Operating cash flows before movements in working capital</b>		<b>3,405,212</b>	<b>3,812,879</b>
Changes in working capital	20	(165,216)	(2,302,931)
<b>Net cash used in operating activities before impacts of financial expenses and tax</b>		<b>3,239,996</b>	<b>1,509,948</b>
income tax paid	21	(165,165)	(310,794)
Defined benefit paid		-	(2,396,845)
<b>Net cash used in operating activities before impacts of financial expenses and tax</b>		<b>3,074,831</b>	<b>(1,197,691)</b>
<b>NET CASH GENERATED FROM OPERATING ACTIVITES</b>		<b>3,074,831</b>	<b>(1,197,691)</b>
Purchase of property, plant and equipment	13	(1,163,622)	(2,522,607)
Finance income	9	872,993	1,220,965
Proceed from disposal of assets		6,239	128,467
Loan given to related parties	16	(7,030,695)	(4,009,396)
Loan repaid from related parties		3,574,353	3,500,000
<b>NET CASH USED IN BY INVESTING ACTIVITES</b>		<b>(3,740,732)</b>	<b>(1,682,571)</b>
Dividend paid to equity holders of the company	24.1	(335,918)	(1,007,754)
<b>NET CASH USED IN FINANCING ACTIVITES</b>		<b>(335,918)</b>	<b>(1,007,754)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,001,819)</b>	<b>(3,888,016)</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies	8	(247,855)	(242,141)
Cash and cash equivalents at beginning of year		6,922,591	11,052,748
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2016</b>	19	<b>5,672,917</b>	<b>6,922,591</b>

See notes to the financial statements

**ASHAKACEM PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1 General Information**

AshakaCem Plc was incorporated in Nigeria on 7 August 1974 as a private limited company and commenced operation in September 1979. Its registered office address is Ashaka Works Near Gombe, Gombe State. It was converted to a public company and the shares were quoted on the Nigeria Stock Exchange in July 1990. Its present ownership structure is 15.03% Nigerian and 84.97% is owned by Lafarge Africa Plc.

**1.1 Principal business activity**

The Company's principal activities is the manufacture and sale of cement. The company also runs a coal mine as a division over which it enjoys a pioneer status with effect from 1 January 2012.

**2 Financial period**

The Statement of Profit or Loss and Other comprehensive income cover the period from 1 July 2016 to 31 December 2016 with the comparative for the six month period ending 31 December 2015. Financial period for statement of financial position is 31 December 2016 and 2015

**2.1 Going concern**

These financial statements have been prepared on the going concern basis. The company has no intention or need to reduce substantially its business operations. The company Management believes that the going concern assumption is appropriate for the company based on historical experience that short-term obligations will always be met.

NOTES TO THE FINANCIAL STATEMENTS - Continued

3 Application of new and revised International Financial Reporting

3.1 Accounting standards and interpretations issued and effective

The following revisions to accounting standards and pronouncements were issued and effective at the reporting period.

Pronouncement	Nature of change	Required to be implemented for periods beginning on or after	
<p>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)</p>	<p>Amendments to IAS 16 clarifying acceptable method of depreciation on items of property, plant and equipment while IAS 38 clarifying acceptable method for amortization of intangible asset.</p>	<p>1 January 2016</p>	<p>Not Applicable</p>
<p>Disclosure Initiative (Amendments to IAS 1)</p>	<p>The amendment seek to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:</p> <ul style="list-style-type: none"> <li>• clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;</li> <li>• clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;</li> <li>• additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.</li> </ul>	<p>1 January 2016</p>	<p>Not Applicable</p>



NOTES TO THE FINANCIAL STATEMENTS - Continued

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

3.2 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements were issued but not effective at the reporting period.

Pronouncement	Nature of change	Required to be implemented for periods beginning on or after	
Amendments to IFRS 9 Financial Instruments	<p>In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. The Group is yet to perform impact assessment on IFRS 9.</p> <p><b>(a) Classification and measurement</b> The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.</p> <p>Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.</p> <p><b>(b) Impairment</b> IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its receivables, but it will need to</p>	Annual periods beginning on or after	1 January 2018
IFRS 15 Revenue from Contract with Customers	<p>In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The Company is in the business of manufacturing and selling of cement and other cementitious products. The cement products are sold on its own in separate identified contracts with customers.</p> <p><b>a) Sale of goods</b> Contracts with customers in which the sale of Cement products is generally expected to be the only performance obligation are not expected to have any impact on the Company's profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In preparing to IFRS 15, the Company is considering the following: (i) Variable consideration Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Company expects that application of the constraint may result in more revenue being deferred than is under current IFRS.</p>	Annual periods beginning on or after	Not Applicable 1 January 2018

NOTES TO THE FINANCIAL STATEMENTS - Continued

	<p>b) Presentation and disclosure requirements</p> <p>IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS.</p> <p>The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Company's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 the Company developed and started testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.</p> <ul style="list-style-type: none"> <li>• IAS 18 Revenue</li> <li>• IAS 11 Construction Contracts</li> <li>• IFRIC 13 Customer Programmes</li> <li>• IFRIC 15 Agreements for the Construction of Real Estate</li> <li>• IFRIC 18 Transfer of Assets from Customers; and</li> <li>• SIC 31 Revenue Barter Transactions Involving Advertising Services.</li> </ul>		
IFRS 16 – Leases –	<p>The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. In 2017, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements,</p>	1 January 2019	Applicable
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	<p>The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.</p> <p>Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.</p>	1 January 2017	Applicable
Amendments to IAS 7: Disclosure initiative	<p>The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as the Company's foreign exchange gains or losses. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.</p>	1 January 2017	Applicable

NOTES TO THE FINANCIAL STATEMENTS - Continued

3.2 Accounting standards and interpretations issued but not yet effective contd.

Pronouncement	Nature of change	Required to be implemented for periods beginning on or after	
<b>IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration</b>	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Standard is effective for annual periods beginning on or after 1 January 2018.	1 January 2018	Not Applicable
<b>Amendments to IAS 40: Transfers of Investment Property</b>	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Standard is Effective for annual periods beginning on or after 1 January 2018. This amendment has is not relevant to the Company	1 January 2018	Not Applicable
<b>Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions</b>	The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. This amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. This amendments is expected to have nil impact on the Company as the Company does not have features of withholding tax obligations and it doesn't change its classification from cash settled to equity settled.	1 January 2019	Not Applicable

NOTES TO THE FINANCIAL STATEMENTS - Continued

**4 Significant accounting policies**

**4.1 Statement of compliance with IFRSs**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

**4.2 Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The company financial statements are presented in Nigerian Naira (NGN) and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

The significant accounting policies are set out below:

**4.2.1 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**4.2.2 Foreign currency translation**

**Transactions and balances**

Transactions in foreign currencies are recorded in the respective functional currencies of the entities of the Company by applying the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**4.3 Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and that revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is reduced for rebates, discounts and other similar allowances.

NOTES TO THE FINANCIAL STATEMENTS - Continued

**4 Significant accounting policies - Continued**

**4.3.1 Sale of goods**

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**4.3.2 Rental income**

Rental income arising from operating leases on properties is accounted for on a straight line basis annually over the lease terms and it is included in revenue in the statement of profit or loss and are usually classified as part of other operating income.

**4.3.3 Earnings per share**

Basic earnings per share are computed by dividing the net income attributable to owners of the parent company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.3.4 Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income 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.

4.4 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.

**The Company as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**The Company as lessee**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, All incentives for the agreement of a new or renewed operating leases shall be recognised as an integral part of the net consideration agreed for the use of leased asset. This indicates that amount prepaid shall be recognised net of incentives and spread as a reduction of rental expenses on a straight line basis or any other systematic basis

4.5 Pensions and other post-employment benefits

4.5.1 Defined Contribution

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Company operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2014 with employee contributing 8% and employer contributing 12% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.5.2 Defined Benefit

The company provides employees with two (2) Long Service Award Benefits. The benefits are gift items, Ex-Gratia (expressed as a multiply of Monthly Basic Salary), a plaque and certificate

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effects of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in employee benefit reserves and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset

Defined benefit costs are categorised as follows:

- service cost( including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The composition of remeasurements gains or losses, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods IAS 19.122. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Where the Company recognises net interest on defined benefits plan in the statement of profit or loss (IAS 19.124).

The company presents current service costs in profit or loss in the line item employee benefit expense. Interest is accounted for as finance costs in profit or loss.

Past service costs should be recognise in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.6 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 before tax as reported in the consolidated statement of profit or loss and other 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 period.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss

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

The carrying amount of deferred tax assets is reviewed at 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



NOTES TO THE FINANCIAL STATEMENTS - Continued

**4 Significant accounting policies contd.**

**4.7 Property, plant and equipment**

Land and buildings mainly comprise factories, depots, warehouses and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation on property, factory buildings, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives. Each part of property, plant and equipments with a cost that is significant in relation to the total cost of the item shall be depreciated separately

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	20 - 50 years
Fixed and mobile plants	8 - 30 years
Factory fittings, furniture and office equipment	5 years
Motor vehicles	3 years
Motor vehicles held under the finance lease	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Losses or gains on disposals of fixed assets are determined by comparing proceeds with the carrying amounts. These losses or gains are included in profit or loss.

Properties in the course of construction (capital work-in-progress) are carried at cost, less any recognised impairment losses. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

The useful lives of the assets that are directly used on the coal mine is based on unit of production

The carrying amount of an item of property, plant and equipment is derecognized upon disposal and when no future economic benefits are expected from its use. The gain or loss arised from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised (unless IAS 17 requires otherwise on a sale and leaseback). Gains are not classified as revenue.

**4.7.1 Major maintenance and repairs**

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.8 Intangible assets

4.8.1 Intangible assets acquired separately

In accordance with criteria set in IAS 38, intangible assets are recognized only if:

- They are identifiable
- They are controlled by the entity because of past events

It is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

**Software**

Intangible assets primarily include software costs and are amortized using the straight-line method over their estimated useful lives of three (3) years and it also arises as result of management estimation. This expense is recorded in administrative expenses based on the function of the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Raw Materials which include purchase cost and other costs incurred to bring the materials to their location and condition, are valued using weighted average cost. Cost of finished goods and work-in-progress which include direct labour and factory overheads, are valued using standard cost and adjusted to actual cost.

Engineering spare parts and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks. Engineering spare parts with high value and held for commissioning of a new plant or for infrequent maintenance of plants are capitalised and depreciated over their useful life and the useful life starts when they are put to use. If the estimated useful life of the spare parts from installation exceeds that for the whole plant, depreciation is limited to the remaining life of the plant.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments generally with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

4.11 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.

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

4.11.1 Rehabilitation provision

Rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of, the Company's facilities and properties. The Company assesses its rehabilitation provision at each reporting date. The Company recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and quarries and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development/construction are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs.

For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.11.2 Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

4.12 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 financial assets and financial liabilities (other than financial assets and 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 the profit or loss.

4.12.1 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortized cost less any allowance for doubtful debts. Allowances are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any allowance available and then to profit or loss. Subsequent recoveries of amounts for which a previous allowance was made are credited to the profit or loss. Long-term receivables are discounted where the effect is material. Trade receivables are measured at amortized cost. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.12.2 Trade payables

Trade payables are held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**4 Significant accounting policies contd.**

**4.13.1 Financial assets**

The Company's financial assets are classified into available for sale (AFS) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate that exactly discounts estimated future cash receipts including all fees 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 all debt instruments.

**4.13.1.1 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 include 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position which are measured at amortised cost using the effective interest method, less any impairment.

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 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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Significant accounting policies contd.

4.13.1.3 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 to be 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 other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the 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 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.

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 the profit or loss.

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

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

4.13.1.4 Impairment of Available for sale Investment

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available for sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**4 Significant accounting policies contd.**

**4.13.1.4 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**4.14 Financial liabilities and equity instruments**

**4.14.1 Classification as debt or equity**

Debt and equity instruments issued by the Company 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.

**4.14.2 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 as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE FINANCIAL STATEMENTS - Continued

4. Significant accounting policies contd.

4.14.3 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

4.14.3.1 Other financial liabilities

At initial measurement, all fair value net of all directly attributable transaction costs are recognised. Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value. Subsequently they are 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 discounts estimated 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.

4.14.3.2 Offsetting of Financial Instruments

The company offset a financial asset and financial liability when, and only when, the company currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously

4.14.3.3 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.

4.15 Segment information (Note 5.6)

The Chief Executive Officer is the Company's chief operating decision-maker. The Chief Executive Officer has determined that there are only two business and operating segments. Based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance, the company is

4.16 Related parties (Note 24.2)

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all executive and non-executive directors. Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.



4 **Significant accounting policies contd.**

4.17 **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE FINANCIAL STATEMENTS - Continued

**5. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 4, the directors are required to make judgements, 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 ongoing 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.

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**5.1 Property, plant and equipment (Note 13)**

Property, plant and equipment represent the most significant proportion of the asset base of the Company. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the statement of comprehensive income.

The useful lives and residual values of the of property, plant and equipment and Intangible asset are determined by management based on historical experience as well as anticipation of future events and circumstances which may impact their useful lives.

**5.2 Allowance for doubtful receivables (Note 16.1)**

Judgment is exercised to make allowance for trade receivables doubtful of recovery by reference to the financial and other circumstances of the debtor in question. Based on the credit terms and historical experience regarding trade receivables, the Company makes a specific or collective impairment allowance for doubtful debt.

**5.3 Taxation (Note 10)**

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Under the Nigerian tax system, self-assessment returns are subjected to a desk review for the determination of tax due for remittance in the relevant year of assessment. This is however not conclusive as field audits are carried out within six years of the end of the relevant year of assessment to determine the adequacy or otherwise of sums remitted under self-assessment thus making tax positions uncertain.

NOTES TO THE FINANCIAL STATEMENTS - Continued

5. Critical accounting judgements and key sources of estimation uncertainty

5.4 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.

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**Provisions for site restoration (Note 25)**

Where the company is legally, contractually or constructively required to restore a site, the estimated costs of site restoration are accrued for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the site. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of site restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the site. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of future activities.

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**Useful lives of property, plant and equipment (Note 13)**

The Lafarge Company reviews the estimated remaining useful lives of property, plant and equipment during each reporting period, using a risk based approach, so as to prevent material misstatement in any one year, as it is impracticable to assess all assets in any one year. The company relies on technical experts to determine the best estimate of useful lives. Due to the long life of many of these assets and the effect of ongoing maintenance and upgrades, the extension in the useful lives of many assets is not readily, accurately determinable and therefore is subject to a great degree of judgement and estimation.

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**Trade receivables (Note 16)**

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

NOTES TO THE FINANCIAL STATEMENTS - Continued

5. Critical accounting judgements and key sources of estimation uncertainty

5.6 Segment information

Information reported to the Chief Operating Decision Maker (COMD) for the purpose of resources allocation and assessment of segment performance focuses on the types of goods or services delivered or provided: The Company's reportable segments are manufacture and sale of cement (cement segment), and coal mining and milling operation (coal segment). All the revenue are made in Nigeria

5.6.1 Segment revenue and results

	Segment revenue		Segment profit	
	12/31/2016 N'000	12/31/2015 N'000	12/31/2016 N'000	12/31/2015 N'000
Manufacture and sale of cement	17,351,235	17,414,893	3,534,733	3,683,205
Coal mining and milling operation	2,152,708	3,773,110	1,203,595	3,281,453
	<b>19,503,943</b>	<b>21,188,003</b>	<b>4,738,328</b>	<b>6,964,658</b>
Elimination of inter-segment sales/profit	(2,152,708)	(3,773,110)	(1,203,595)	(3,281,453)
	<b>17,351,235</b>	<b>17,414,893</b>	<b>3,534,733</b>	<b>3,683,205</b>
Depreciation and amortisation- cement operation			(1,721,687)	(1,694,924)
Interest income-cement operation			872,993	1,220,965
Finance cost- manufacture & sales of cement			(1,051)	-
Finance cost- Coal mining and milling operation			(21,707)	-
Profit before tax			<b>2,663,281</b>	<b>3,209,246</b>
Tax expense			(648,737)	(447,886)
			<b>2,014,544</b>	<b>2,761,360</b>

Segment revenue reported includes inter-segment sales amounting to N2.15 billion in current year (2015: N3.77 billion). This represents all the coals produced at the coal segment which was sold to the cement segment. There were no assets located at the coal mine, hence no depreciation has been apportioned to the coal operation. Coal operation is still under pioneer status at the reporting date, the income tax is solely on the profit of manufacture and sales of cement.

Segment profits represents the profit before tax earned by each segments without allocation of administrative expenses, investment income and other income. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

5.6.2 Segment assets and liabilities

	12/31/2016 N'000	12/31/2015 N'000
<b>Segment assets:</b>		
Manufacture and sale of cement	71,126,045	67,022,873
Coal mining and milling operation	3,503,640	3,353,252
	<b>74,629,685</b>	<b>70,376,125</b>
<b>Segment liabilities:</b>		
Manufacture and sale of cement	19,935,820	17,360,887
Coal mining and milling operation	-	-
	<b>19,935,820</b>	<b>17,360,887</b>

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**6 Revenue**

Below is the analysis of the Company's revenue for the period

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Revenue from Sale of goods	<u>17,351,235</u>	<u>17,414,893</u>

The following is the analysis of the revenue by product:

Cement	<u>17,351,235</u>	<u>17,414,893</u>
	<u>17,351,235</u>	<u>17,414,893</u>

**7 Cost of sales**

Variable cost (a)	6,973,361	6,800,725
Production fixed costs	2,374,736	1,293,812
Maintenance fixed costs	1,537,960	346,024
Depreciation of Property and equipment (note 13)	1,531,758	1,335,996
Amortisation of Intangible assets (note 14)	17,760	17,711
General, social cost (b)	<u>2,138,149</u>	<u>2,215,273</u>
	<u>14,573,724</u>	<u>12,009,541</u>

(a) Variable cost included staff costs, pension and social benefit of N1.59bn (2015:N2.5bn)

(b) Included in General and social costs are administrative and social cost incurred in Ashakacem plant

**Change in Classification**

During the year, the company modified statement of profit or loss of unwinding cost of site restoration from 'cost of sales' to 'finance cost' to reflect more appropriately the nature and class of the transaction. Comparative amounts in statement of profit or loss were reclassified for consistency, which resulted in N10.32 million being reclassified from cost of sales' to 'finance cost'. Since the amounts are reclassifications within operating activities in the statement of profit or loss, this reclassification did not have any effect on the statement of financial position.

**7.1 Selling and marketing expenses**

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Depot transfer		517,027
Salaries and wages	166	168,082
Travelling expenses	-	19,253
Other Selling and marketing cost	-	111,336
	<u>166</u>	<u>815,698</u>

Included in other selling and marketing costs are expenses incurred on advertisements, rent and rates, stationery, printing, security, Staff training and seminars

**7.2 General and Administrative expenses**

	31/12/2016	31/12/2015
	N'000	N'000
Shared Cost (Note 7.2.1)	1,639,004	-
Restructuring cost	-	1,696,215
Salaries and wages	-	470,121
Other materials	-	244,076
Write off on property, plant and equipment	-	187,678
Staff gratuity	-	174,436
Local and overseas travel	-	146,025
Consultancy	-	125,216
Advert and public relations	-	115,127
Electricity and utilities	-	94,901
Computer consumables	-	85,855
Security expenses	-	74,158
Legal entity cost	158,177	33,175
Canteen expenses and general consumables	-	31,686
Bad debt provision	-	29,611
Staff pension	-	29,086
Audit fees	31,015	20,000
Other general and administrative costs (7.2.3)	82,234	84,698
Depreciation of Property and equipment (note 13)	170,195	339,249
Amortisation of Intangible assets (note 14)	1,973	1,968
Technical fee (Note 7.2.2)	352,899	284,726
Bank charges	99,886	89,001
Loss on disposal of PPE	361	-
	<u>2,535,744</u>	<u>4,357,008</u>

7.2.1 Parent company provide technical supports for Selling, General and administrative functions, hence the entity is being back charged for it.

7.2.2 Technical fee represents the cost incurred by AshakaCem Plc in respect of the Industrial Franchise Agreement with Lafarge S.A., the Ultimate parent company of the Group and Lafarge Africa Plc. This was registered with NOTAP and represents 2.0% of net sales.

7.2.3 Included in other general and administrative costs are Directors emoluments, scholarship, staff pension and casual labour

<b>7.3 FINANCE COST</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	N'000	N'000
Finance cost	22,758	10,715
	<u>22,758</u>	<u>10,715</u>

The finance cost is related to unwinding interest charged on site rehabilitation cost provision

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**8 Other income**

	31/12/2016	31/12/2015
	N'000	N'000
Gain on disposal	-	41,978
Write back of property plant and equipment	182,927	-
Write back of excess accruals no longer required- (Note 8.2)	43,636	27,221
Non Recurring gain (Note 8.2)	113,333	1,180,292
Rental income (Note 8.3)	29,528	29,237
Net exchange gain	1,040,535	392,711
Sundry Income (Note 8.1)	161,488	94,911
	<b>1,571,447</b>	<b>1,766,350</b>

**Sundry Income**

8.1 Included in sundry income are income received on call accounts and sales of scrapped inventory items

**8.2 Non- recurring gain & write back of accruals**

During the year, the Company engaged the services of a professional firm to carry out a clean up exercise on some long outstanding balances in its books. The major accounts worked on were accruals, delivery awaiting matching, goods received invoice not received, unallocated cash/deposit for cement, and provisions. This exercise resulted in write back of some long outstanding liabilities and write off of some balances to profit or loss account.

8.3 Rental income received largely from the hire of apartments to contractors/guest to Ashaka plant.

**9 Finance income**

	31/12/2016	31/12/2015
	N'000	N'000
Interest on fixed term deposits	872,993	1,220,965
	<b>872,993</b>	<b>1,220,965</b>

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Income tax expense  
10.1 Income tax expense recognised in profit or loss

	31/12/2016 N'000	31/12/2015 N'000
Education tax payable	48,960	-
Over provision of income tax		
Capital gain tax charge		2,370
Company Income Tax (Minimum tax)	282,395	281,188
<b>Charge for the year</b>	<b>331,355</b>	<b>283,558</b>
Deferred tax expense recognised in the period	317,382	164,328
Total deferred tax expense (Note 21.1)	317,382	164,328
<b>Total income tax expense</b>	<b>648,737</b>	<b>447,886</b>

**Change in Classification**

During the year, the company modified statement of profit or loss and other comprehensive income of deferred tax on terminated retirement benefits from 'statement of other comprehensive income' to 'statement of profit or loss' to reflect more appropriately the class of the transaction in 2015.

This resulted in N3,167m being reclassified from 'other comprehensive income to statement of profit or loss. Since the amounts are reclassifications within deferred tax in the statement of profit or loss and other comprehensive income, this reclassification did not have any effect on the statement of financial position

The income tax expense for the period can be reconciled to the accounting profit as follows:

<b>Profit before tax</b>	<b>2,663,253</b>	<b>3,209,246</b>
Income tax expense calculated at 30% (2015:30%)	798,985	962,774
Effect of income that is exempt from taxation	(36,479)	
Effect of expenses that are not deductible in determining taxable profit	8,761	32,035
Effect of education tax payable	48,960	
Over provision of income tax		
Effect of Investment allowance	(28,031)	
Effect of Pioneer status	(425,854)	(830,481)
Effect of capital gains tax		2,370
Effect of minimum tax	282,395	281,188
<b>Income tax expense recognised in profit or loss</b>	<b>648,737</b>	<b>447,886</b>
Effective tax rate	24%	14%

The tax rate used for the 2016 and 2015 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Nigeria as stipulated in the Companies Income Tax Act CAP 60 LFN 1990



NOTES TO THE FINANCIAL STATEMENTS - Continued

11 Earnings per share

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

	31/12/2016 N'000	31/12/2015 N'000
Profit for the year attributable to owners of the company. (N'000)	<u>2,014,546</u>	<u>2,761,360</u>
Number of ordinary shares ('000)	2,239,453	2,239,453
Basic / diluted earnings per share (kobo)	90	123

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Profit for the period

	31/12/2016 N'000	31/12/2015 N'000
<i>Profit for the period</i>	<u>2,014,546</u>	<u>2,761,360</u>
 This has been arrived at after charging (crediting):		
<i>Depreciation and amortisation expense</i>		
Depreciation of property, plant and equipment (Note 13)	1,701,952	1,675,245
Amortisation of intangible assets (Note 14)	<u>19,733</u>	<u>19,679</u>
	<u>1,721,685</u>	<u>1,694,924</u>
<i>Directors emoluments (Note 27)</i>	48,970	173,346
<i>Auditors remuneration</i>	31,015	20,000
<i>Gain on disposal of property, plant and equipment (note 8)</i>	-	(41,978)
<i>Technical fees (note 7)</i>	352,899	284,726
<i>Interest on fixed term deposits and current account (note 9)</i>	(872,993)	(1,220,965)
<i>Staff Cost (note 27)</i>	1,587,556	2,525,874
<i>Exchange gain (note 8)</i>	(1,040,535)	(392,711)

NOTES TO THE FINANCIAL STATEMENTS - Continued

13 Plant, property and equipment

	Land & Buildings	Fixed plant	Mobile plant	Factory fittings, furniture and office equipment	Motor Vehicles	Capital work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>Cost</b>							
At 1 January 2015	24,487,932	26,380,915	3,058,136	856,462	713,739	5,340,008	60,837,192
Additions	2,664	5,552	42,816	1,580	1	2,470,004	2,522,607
Reclassification from capital work-in-progress	350,324	329,997	120,377	46,676	9,980	(857,354)	-
Disposals	(93,171)	-	(5,440)	(15,462)	(118,176)	-	(232,249)
Write-off	-	(207,088)	-	(64,191)	-	-	(271,279)
<b>Balance at 31 December 2015</b>	<b>24,747,739</b>	<b>26,509,376</b>	<b>3,215,889</b>	<b>825,065</b>	<b>605,544</b>	<b>6,952,658</b>	<b>62,856,271</b>
Balance at 1 January 2016	24,747,739	26,509,376	3,215,889	825,065	605,544	6,952,658	62,856,271
Additions	-	-	-	-	-	1,163,622	1,163,622
Write back	-	182,927	-	-	-	-	182,927
Construction expenditure capitalised	123,737	89,870	(8,500)	5,126	(137,155)	(218,733)	-
Disposals	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	<b>24,871,476</b>	<b>26,782,173</b>	<b>3,207,389</b>	<b>824,168</b>	<b>468,389</b>	<b>7,897,547</b>	<b>64,051,142</b>
<b>Depreciation</b>							
Balance at 1 January 2015	2,905,304	4,902,936	1,921,074	749,364	610,927	-	11,089,605
Charge for the year	597,505	658,840	318,973	45,202	54,725	-	1,675,245
Disposals	(8,920)	-	(5,188)	(15,044)	(116,608)	-	(145,760)
Write off	-	(21,745)	-	(61,856)	-	-	(83,601)
<b>Balance at 31 December 2015</b>	<b>3,493,889</b>	<b>5,540,031</b>	<b>2,234,859</b>	<b>717,666</b>	<b>549,044</b>	<b>-</b>	<b>12,535,489</b>
Balance at 1 January 2016	3,493,889	5,540,031	2,234,859	717,666	549,044	-	12,535,489
Charge for the year	608,992	779,171	244,135	35,000	34,654	-	1,701,952
Disposals	-	-	(8,500)	(5,947)	(130,631)	-	(145,078)
<b>At 31 December 2016</b>	<b>4,102,881</b>	<b>6,319,202</b>	<b>2,470,494</b>	<b>746,719</b>	<b>453,067</b>	<b>-</b>	<b>14,092,363</b>
<b>Carrying amount</b>							
At 31 December 2015	20,768,595	20,462,971	736,895	77,449	15,322	7,897,547	49,958,779
At 31 December 2016	21,253,850	20,969,345	981,030	107,399	56,500	6,952,658	50,320,782

13.1 Capital work-in-progress represent assets under construction which are not subject to depreciation. These assets, after completion of construction will be reclassified to the appropriate class as property, plant and equipment

13.2 Construction expenditure included in Construction Expenditure is the cost of the Klin Preheater project, in AshakaCem Plc, amounting to N3.3billion representing 0.6% of the Group total assets. The project which is situated in the North-East region of Nigeria had been suspended since 2009 due to security concern at the project site. Management has carried out an impairment assessment of the project and no impairment charge is recorded as the recoverable amount is higher than the carrying amount.

13.3 Write back of Asset  
The assets worth N187.6m was written off in 2016 with the anticipation of donating to charity with the approval, however the decision to donate was reversed, hence the asset was written back

13.4 Depreciation of property, plant and equipment  
The following useful lives are used in the calculation of depreciation.

Buildings	20 - 50 years
Fixed and mobile plants	8 - 30 years
Factory fittings, furniture and office equipment	5 years
Motor vehicles	3 years

NOTES TO THE FINANCIAL STATEMENTS - Continued

14	<b>Intangible asset</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
		<b>N'000</b>	<b>N'000</b>
	<b>Cost</b>		
	At 1 January	452,449	452,449
	Addition	-	-
	Disposal	-	-
	<b>15.1</b>	452,449	452,449
	<b>Amortization</b>		
	At 1 January	386,100	366,421
	Charge for the year	19,733	19,679
	On disposal	-	-
		405,833	386,100
	<b>Net Book Value as at 31/12/2016</b>	<b>15.1</b> 46,616	<b>66,349</b>

Intangible assets represents computer software with an estimated useful life of 5 years. It is amortized on a straight line basis. Apart from the computer software, the company has no other significant intangible assets.

**Impairment of intangible assets**

There are no indicators of impairment at the end of the reporting period. Thus, the directors are of the opinion that allowance for impairment is not required. Hence, no impairment is recognised during the year.

NOTES TO THE FINANCIAL STATEMENTS - Continued

<b>15 Inventories</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Raw materials	1,638,717	1,047,253
Work-in-progress	1,582,805	975,803
Finished and semi-finished goods	320,093	427,849
Spare parts	1,185,143	2,057,790
	<u>4,726,758</u>	<u>4,508,695</u>

The cost of inventories recognised as an expense during the period was N5.01b, (FY-2015:N5.170b). Inventories were actually written down to its Net realisable value with obsolete items written down by N817,598m

<b>16 Trade and other receivables</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Third party sales	11,143	49,849
Advance payments to suppliers	679,275	380,934
Accrued interest receivable (16.1)	439,531	-
	<u>1,129,950</u>	<u>430,783</u>

The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The company has recognised an allowance for doubtful debts of 100% against all receivables over 360 days because historical experience has been that receivables that are past due beyond 360 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables below 360 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Company uses an internal Credit Committees to assess the potential customer's credit quality and defines credit limits to customer. Limits to customers are reviewed twice a year.

16.1 Accrued interest receivable relates to Fixed deposit investment

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

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
31 - 60 days	10,029	4,099
60 - 90 days	1,114	7,320
Over 90 days	-	38,430
	<u>11,143</u>	<u>49,849</u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

16.2 Included in trade receivables is allowance for doubtful receivables

Trade Receivables

	31/12/2016 N'000	Individual impairment 31/12/2015 N'000
At 1 January	(23,813)	(23,813)
Bad debt written off	-	-
Charge during the year	-	-
Write back during the year	125	-
Other	-	-
<b>At 31 December</b>	<b>(23,688)</b>	<b>(23,813)</b>

Included in the allowance for doubtful debts are individually impaired receivable amounting to N23.68 million (2015: N23.81 million). At the end of the reporting period, there are no significant concentrations of credit risk.

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.

	31/12/2016 N'000	31/12/2015 N'000
<b>17 Prepayment &amp; other assets</b>		
Unutilised letters of credit (Note 17.1)	5,607,672	4,232,754
Prepaid expenses ( Note 17.2)	77,879	67,614
Sundry debtors (Note 17.3)	378,420	252,204
	<b>6,063,971</b>	<b>4,552,572</b>

**Change in classification**

During the year, the company modified statement of financial position classification of unutilised letter of credit, sundry debtors and prepaid expenses from 'trade & other receivables' to 'prepayment & other assets' to reflect more appropriately the nature and classes of current assets. Comparative amounts in statement of financial position were reclassified for consistency, which resulted in N4.5 billion being reclassified from 'trade & other receivables' to 'prepayments & other assets'.

Since the amounts are reclassifications within current assets in the statement of financial position, this reclassification did not have any effect on the statement of financial position

17.1 This represents letters of credit already opened in respect of the expansion project in Ashaka. The project has been suspended in view of the security situation in the area.

The significant amount in unutilised letters of credit relates to the sum of N3.35 billion raised in favour of

17.2 Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	31/12/2016 N'000	31/12/2015 N'000
Within one year	77,879	67,614
After one year but not more than five years	-	-
More than five years	-	-
	<b>77,879</b>	<b>67,614</b>

17.3 Sundry Debtors relates to Upfronts payment (furniture allowance, Rent allowance, etc) to employee which

18 Other Financial Assets

	31/12/2016 N'000	31/12/2015 N'000
Loan to related company (Note 22.2a)	7,000,000	3,500,000
Staff debtors	1,879	46,694
Related companies (Note 22.2b)	28,816	27,659
	<b>7,030,695</b>	<b>3,574,353</b>

Receivables due from related company includes short term loan of N7.00 billion given to Lafarge Africa Plc by Ashakacem plc under the terms of agreement between both parties. The interest rate is at 16.0% and tenor is 90 days.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**19 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and other short term investment with original maturity of three months or less and they do not include any restricted cash as at the reporting period. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Short term investments	-	1,167,086
Cash in hand and at bank	5,672,917	5,755,505
	<u>5,672,917</u>	<u>6,922,591</u>

**20 Reconciliation of cash flow changes in working capital**

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>N'000</b>	<b>N'000</b>
Increase in inventories	(1,035,662)	(1,361,521)
Increase in trade receivables	(699,167)	(263,526)
Decrease / (Increase) in prepayment and other assets	258,650	(215,074)
Increase/(decrease) in trade and other payables	1,310,962	(462,810)
<b><i>Movements in operating working capital items</i></b>	<u><b>(165,216)</b></u>	<u><b>(2,302,931)</b></u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

21 Income tax

	31/12/2016 N'000	31/12/2015 N'000
At 1 January	488,539	752,617
Payments during the year	(165,165)	(310,794)
Withholding Tax receipt utilized	-	(236,842)
Current income tax charged for the year	282,395	281,188
Capital gains tax charge	-	2,370
Education tax charged for the year	48,960	-
<b>Charge for the year (Note 10)</b>	<b>331,355</b>	<b>283,558</b>
<b>At 31 December</b>	<b>654,729</b>	<b>488,539</b>
<u>Made up of</u>		
Current tax payable	654,729	488,539
Current tax receivable	-	-
	<b>654,729</b>	<b>488,539</b>

21.1 Deferred taxation

These relevant tax has been recognised and charged thus:

	31/12/2016			
	Balance at beginning of year  N'000	(Expense)/ Income  N'000	Exchange rate differences  N'000	Balance at end of Period  N'000
<b>Deferred tax liabilities in relation to:</b>				
Property, Plant and Equipment for the year	11,115,331	117,516	-	11,240,925
Provisions and other liabilities	(1,211,222)	199,865	-	(1,019,435)
	<b>9,904,109</b>	<b>317,381</b>	-	<b>10,221,490</b>
	31/12/2015			
	Balance at beginning of year  N'000	(Expense)/ Income  N'000	Exchange rate differences  N'000	Balance at end of year  N'000
<b>Deferred tax liabilities in relation to:</b>				
Property, Plant and Equipment	10,962,248	153,083	-	11,115,331
Provisions and other liabilities	(1,219,300)	8,078	-	(1,211,222)
Retirement obligation	(3,167)	3,167	-	-
	<b>9,739,781</b>	<b>164,328</b>	-	<b>9,904,109</b>

Deferred tax Balance

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	31/12/2016 N'000	31/12/2015 N'000
Deferred Tax assets	-	-
Deferred Tax liabilities	(10,221,490)	(9,904,109)
	<b>(10,221,490)</b>	<b>(9,904,109)</b>



NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Trade and other payables

	31/12/2016	31/12/2015
	N'000	N'000
Trade payables	1,105,614	1,426,885
Related companies (Note 22.3)	4,496,415	3,014,306
Other Payables (Note 22.1)	3,099,032	2,467,248
	<b>8,701,060</b>	<b>6,908,439</b>

**Change in classification**

During the year, the company modified statement of financial position classification of site restoration cost from 'trade & other payables' to 'provisions' to reflect more appropriately the nature and classes of obligation. Comparative amounts in statement of financial position were reclassified for consistency, which resulted in N59.8 million being reclassified from 'trade & other payables' to 'provisions'

Since the amounts are reclassifications within current liabilities in the statement of financial position, this reclassification did not have any effect on the statement of financial position

The average credit period on purchase of goods is 30 days. No interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms.

22.1 Other Payables

	31/12/2016	31/12/2015
	N'000	N'000
Distributors' deposits	-	78,622
Withholding tax payable	386,045	289,596
Value added tax payable	169,275	51,050
Other employee costs (Note 22.6)	102,740	2,150
Accruals	1,349,296	1,019,120
Other payables (a)	1,091,676	1,026,710
	<b>3,099,032</b>	<b>2,467,248</b>

- (a) Included in other payables are rebate payable, accrued electricity, accrued maintenance bill, accrued handling charge, litigation provision, tax consulting and audit fee provision

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Trade and other payables - Continued

22.2 Related party transactions

Details of transaction between the Company and other related parties are disclosed below:

	Amount owed by related parties	
	31/12/2016	31/12/2015
	N'000	N'000
(a) Loan to related party		
Lafarge Africa Plc	7,000,000	3,500,000
(b) Related party's receivables		
Unicem	27,631	27,659
Lafarge Readymix	1,185	-
	<u>28,816</u>	<u>27,659</u>
22.3	Amount owed to related parties	
	31/12/2016	31/12/2015
	N'000	N'000
Lafarge Cement UK	124,474	55,325
Lafarge South Africa	3,007	1,709
Lafarge SA (Paris)	2,183,781	1,729,234
Wapco	2,106,328	1,194,718
Lafarge Poland	47,342	21,558
Lafarge Nigeria	-	-
Lafarge East Africa	5,302	3,459
Lafarge TCEA	5,121	3,380
Lafarge Middle East and Africa	2,597	-
Lafarge Intern Serv Singapore	18,463	4,923
Lafarge Technical Center Viena	40	-
Lafarge Cameroun Cement	5,744	-
Lafarge Cement Syria	9,737	-
Lafarge ITEO Shared Service SA	95,815	-
	<u>4,496,415</u>	<u>3,014,306</u>

Sales and purchases were made at market price discounted to reflect the quantity of goods sold and purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received

No expense has been recognised in the current or prior years for bad or doubtful receivables in respect of the amounts owed by related parties.

Lafarge SA Paris: This is the ultimate parent company which owns 84.97% of AshakaCem Plc through its subsidiary, Lafarge

Lafarge TCEA, Lafarge South Africa, Lafarge Cement UK, Lafarge East Africa, Lafarge North America and Lafarge Middle East Africa, are sister companies in Lafarge Group. The company entered into various transactions with the related party ranging from purchase and sale of goods and services, to expenses incurred by the related company. The outstanding amount is from the various transactions entered with the related party.

22.4 Loans to related parties

Ashakacem has a short term investment with Lafarge Africa Plc. The short term investment represents amount advanced to Lafarge Africa Plc (WAPCO) in the year under the terms of an agreement between both parties. The agreement provides for repayment within 90 days and at an interest of 16%.

22.5 Loans from related parties

There are no loans obtained from related parties during the year.

22.6 Other employee cost

Other employee cost represent a provisions made in respect of Location premium due to staff, and 13th Months bonus accruals

NOTES TO THE FINANCIAL STATEMENTS - Continued

**23 Retirement benefit obligations**

**Defined contribution plan – Pension**

The employees of Ashaka Cement Plc are members of a state arranged Pension scheme (Pension reform act, 2014) operated by the government but managed by several private sector service providers. The company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company with respect to the defined contribution plan is to make the specified contributions to the third party organizations, which are responsible for the financial and administrative management of the funds.

The pension costs of these plans, corresponding to the contribution paid, are expensed as incurred.

**Defined benefit plan - Long termservice award**

The company provides employees with two (2) Long Service Award Benefits. The benefits are gift items, Ex-Gratia (expressed as a multiply of Monthly Basic Salary), a plaque and certificate. This scheme commenced in January 2016.

**Financial assumptions**

Significant actuarial assumptions for the determination of the defined obligation are inflation rate, discount rate, expected salary increase and benefit escalation rate. The principal assumptions used for the purposes of discontinuing the actuarial valuation were as follows:

Financial assumptions	31/12/2016	31/12/2015
Discount rate (p.a)	15%	15%
Average pay increase (p.a)	13%	13%
Average rate of inflation (p.a)	9%	9%

**Demographic assumptions**

**Mortality In Service**

The rates of mortality assumed for employees are the rates published in the A67/70 Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

	Sample age	No. of death
	25	7
	30	7
	35	9
	40	14
	45	26
<b>Withdrawal from Service</b>	<b>Age Band</b>	<b>Rate</b>
	≤ 30	4.0%
	31 - 39	3.0%
	40 - 44	1.0%
	45 - 54	1.0%
	55 - 59	0.0%
	60 - 60	100.0%

Financial assumptions	31/12/2016	31/12/2015
Inflation rate	%	%
Discount rate	12	14.5
Expected rate(s) of salary increases	15	
Benefit Escalation rate	14	11
	6	9

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Retirement benefit obligations - Continued

Amounts recognised in profit or loss in respect of these long service award are as follows:

	31/12/2016 N'000	31/12/2015 N'000
Service cost	249,374	-
Net interest expense	-	-
Curtailment (gains) / losses	-	-
Components of defined benefit costs recognised in profit or loss	<u>249,374</u>	<u>-</u>

Amounts recognised in statement of other comprehensive income are as follows:

	31/12/2016 N'000	31/12/2015 N'000
Actuarial (gains) losses	-	-
Components of defined benefit costs recognised in Other comprehensive income	<u>-</u>	<u>-</u>
Total	<u>249,374</u>	<u>-</u>

No amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit obligation schemes

Movements in the present value of defined benefit obligations were as follows:

	31/12/2016 N'000	31/12/2015 N'000
At 1 January	-	-
Service cost	249,374	-
Interest cost	-	-
Curtailment (gains) / losses	-	-
Benefits paid	-	-
At 31 December	<u>249,374</u>	<u>-</u>

The provision on long service award relates to management assessment to meet future commitment of long service award to employees that stays with the company for 10 years, 15years and 20 years period. This is based on expert valuation.

Reconciliation of Change in Benefit Obligation

	31/12/2016 N'000	31/12/2015 N'000
Net liability beginning of period	-	-
Net periodic benefit cost (Profit or loss)	249,374	-
Benefits paid during the year	-	-
Net liability end of period	<u>249,374</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

24 Share Capital

	31/12/2016 N'000	31/12/2015 N'000
Authorised:		
3,000,000,000 ordinary shares of 50k each	<u>1,500,000</u>	<u>1,500,000</u>

Issued and fully paid  
*Ordinary shares of 50 kobo each*

	No of shares	Share capital N'000
At 31 December 2016	<u>2,239,453</u>	<u>1,119,727</u>
At 31 December 2015	<u>2,239,453</u>	<u>1,119,727</u>

Fully paid ordinary shares which have a par value of 50 kobo carry one vote per share and carry a right to dividends

All ordinary shares issued have been fully paid.

24.1 Dividend paid

The following dividend were approved by the shareholders and subsequently paid during the year:

	31/12/2016 N'000	31/12/2015 N'000
Lafarge Africa Plc	276,988	830,994
Paid to Non Controlling interest	<u>58,930</u>	<u>176,760</u>
<b>Total</b>	<u><b>335,918</b></u>	<u><b>1,007,754</b></u>

At the Annual General Meeting of the members held on 14 March 2016, the shareholders approved the payment of dividend of 50 kobo per share (2015: 45 kobo per share) on 2,239,453,125 ordinary shares amounting to N335,917,968.75 (2015: N1,007,754,000). The declared dividend was paid to shareholders during the year after deducting appropriate withholding taxes.

NOTES TO THE FINANCIAL STATEMENTS - Continued

<b>25</b>	<b>Provisions</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
		<b>N'000</b>	<b>N'000</b>
	Site Rehabilitation provision (Note 25.1)	109,167	59,800
	<b>Balance at 31 December 2016</b>	<u><u>109,167</u></u>	<u><u>59,800</u></u>
<b>25.1</b>	<b>Site Rehabilitation Provision</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
		<b>N'000</b>	<b>N'000</b>
	At the beginning of the year	59,800	-
	Unwinding interest charge	22,758	10,715
	Revision of the estimate	26,609	49,085
	<b>At December 31, 2016</b>	<u><u>109,167</u></u>	<u><u>59,800</u></u>

The provision for site rehabilitation represents an estimate of the costs involved in restoring production sites at the end of the expected life of the quarries. The current provision is an estimate based on reclamation closure expert valuation and management's re-assessment.

**25.2 Contingent liabilities**

There are law suits pending against the Company in some courts of law with an estimated contingent liability of N153m. In the opinion of the Directors, and based on independent legal advice, the Company's liability is not likely to be significant but director make adequate provision for this.

**25.3 Events after reporting date**

The shareholders of AshakaCem at an Extraordinary General Meeting held on 19th December, 2016 passed a resolution to commence a voluntary delisting of the company from the trading floor of the Nigerian Stock Exchange (NSE). The mandatory election period of 90 days as required by the rules of the NSE to enable shareholders make a decision will end on 19th March, 2017 after which an application for voluntary delisting will be submitted to the NSE by AshakacCem.

NOTES TO THE FINANCIAL STATEMENTS - Continued

26. Financial risk management

26.1 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity, comprising issued capital, reserves and retained earnings as disclosed in the relevant note in the financial statements

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

The management of the Company reviews the capital structure on a frequent basis to ensure that debts to equity balance is within acceptable limit. The overall objective of capital management is to reduce debt to equity ratio to the barest minimum gearing is within acceptable limit.

Debt to equity ratio

The company debt to equity ratio as at the reporting period

	Company	
	31/12/2016 N'000	31/12/2015 N'000
Debt(i)	-	-
Equity(ii)	54,693,866	53,015,238
<b>Debt to equity ratio</b>	<b>0,0%</b>	<b>0,0%</b>

- i. Debt is defined as current- and non-current term borrowings.
- ii. Equity includes all capital and reserves of the Company that are managed as capital.

26.2 Financial risk management objectives

The Corporate Investment and Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit and liquidity risk.

The Company seeks to minimise the effects of these risks by aligning to parent company's policies as approved. The Company does not enter into or trade financial instruments for speculative purposes.

Compliance with policies and established controls is reviewed by the internal auditors on a continuous basis.

The Corporate Investment and Treasury function reports monthly to the executive committee and periodically to the Risk and Ethics committee of the Board of Directors, for monitoring and implementation of mitigating policies.

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.

26.3 Market risk

The Company's activities expose it primarily to financial risks of changes in foreign currency exchange rates and interest rates. Market risks exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**26.4 Foreign currency risk management**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company is mainly exposed to USD and Euro.

**Foreign currency sensitivity analysis**

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

The following table details the Company's sensitivity to a 21% increase and decrease in Naira against USD, GBP and EURO currencies. Management believes that a 21% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding USD, GBP and EURO denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 21% against the USD. For a 21% weakening of Naira against the USD there would be an equal and opposite impact on profit, and the balances below would be negative.

	31/12/2016 N'000	31/12/2015 N'000
<b>Naira strengthens by 21% against the</b>		
USD	(605,409)	(93,604)
GBP	13,850	(1,558)
EURO	310,596	52,875
<b>Profit</b>	<u>(280,963)</u>	<u>(42,287)</u>
<b>Naira Weakens by 21% against the</b>		
USD	605,409	93,604
GBP	(13,850)	1,558
EURO	(310,596)	(52,875)
<b>Loss</b>	<u>280,964</u>	<u>42,287</u>
<b>Monetary assets/liabilities denominated in USD</b>		
Cash and bank balances	28,106	401,594
Trade receivables	2,866,854	2,718,541
Trade and related party payables	(12,060)	-
	<u>2,882,900</u>	<u>3,120,135</u>
<b>Monetary assets/liabilities denominated in GBP</b>		
Cash and bank balances	16,071	3,381
Trade receivables	21,905	-
Trade and related party payables	(103,926)	(55,325)
	<u>(65,950)</u>	<u>(51,944)</u>
<b>Monetary assets/liabilities denominated in EUR</b>		
Cash and bank balances	65,166	289,831
Trade receivables	73,710	-
Trade and related party payables	(1,617,903)	(1,762,514)
	<u>(1,479,027)</u>	<u>(1,472,683)</u>

**26.5 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 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 and its own trading records 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 executive committee periodically.

**Collateral held as security and other credit enhancements**

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.



**26.6 NOTES TO THE FINANCIAL STATEMENTS - Continued**  
**Liquidity risk management**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 and Company manage 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.

Year ended 31 December 2015	On demand N'000	<1 year N'000	-2year N'000	2-5years N'000	>5years N'000	Total N'000
Trade & other payables	-	6,908,439	-	-	-	6,908,439
	-	6,908,439	-	-	-	6,908,439
Year ended 31 December 2016	On demand N'000	<1 year N'000	-2year N'000	2-5years N'000	>5years N'000	Total N'000
Trade & other payables	-	8,701,060	-	-	-	8,701,060
	-	8,701,060	-	-	-	8,701,060

**26.7 Fair value of financial instruments (Note 26.6.1)**

Book value	31/12/2016 N'000	31/12/2015 N'000
<b>Financial asset</b>		
Trade and other receivables	1,129,950	430,783
Bank balances	5,672,917	6,922,591
<b>Financial liabilities</b>		
Trade and other payables	(8,701,060)	(6,908,439)

**26.7.1 Explanation of why fair value has not been disclosed**

Disclosures of fair value have not been made as a result of the fact that the carrying amount is a reasonable approximation of fair value for financial instruments such as short-term trade receivables and payables; cash and bank balances.

The financial assets and liabilities are not quoted so their fair value can not be measured reliably

The directors believe that the book value of the financial assets and liabilities are not materially different from the fair value.

Trade and other payables are current obligations relating to trade and non-trade are repayable in 30 days  
Trade and other receivables are current economic benefits of which the value are to be received in 30 days

The book and the fair value of the trade and other receivables is expected to be the same as the Company expects to make the full recovery of their debts. Fair values of these instruments approximates its carrying value. Payment would be received in a short period of time.

**Fair value**

	31/12/2016 N'000	31/12/2015 N'000
<b>Financial assets</b>		
Trade and other receivables	1,129,950	430,783
Bank balances	5,672,917	6,922,591
<b>Financial liabilities</b>		
Trade and other payables	(8,701,060)	(6,908,439)

Trade and other payables are current obligations relating to trade and non-trade that are repayable in 30 days  
Trade and other receivables are current economic benefits of which the value are to be received in 30 days

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NOTES TO THE FINANCIAL STATEMENTS - Continued

**27 DIRECTORS AND EMPLOYEES**

**27.1 DIRECTORS**

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>Number</b>	<b>Number</b>
Directors' emolument comprise:		
Fees	825	1,100
Other emoluments	48,145	172,246
	<b>48,970</b>	<b>173,346</b>

The average number of Directors excluding the Chairman with gross emoluments:

	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Range (N)</b>	<b>Number</b>	<b>Number</b>
Up to 2,000,000	-	-
2,000,001 - 3,000,000	-	-
3,000,001 - 4,000,000	-	-
Above 4,000,000	1	1
	<b>1</b>	<b>1</b>

**27.2 EMPLOYEES**

The average number of employees employed during the year:

	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>Number</b>	<b>Number</b>
Managerial staff	31	8
Senior staff	204	232
Junior staff	182	224
	<b>417</b>	<b>464</b>

The aggregate payroll costs:

	<b>N'000</b>	<b>N'000</b>
Wages, salaries, allowances and other benefits	1,480,835	2,081,333
Pension and social benefits	106,721	444,541
	<b>1,587,556</b>	<b>2,525,874</b>

The number of higher paid employees with gross emoluments within the ranges below were:

	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Range (N)</b>	<b>Number</b>	<b>Number</b>
Up to 1,000,000	2	9
1,000,001 - 3,000,000	206	196
3,000,001 - 5,000,000	163	191
5,000,001 - 7,000,000	23	35
7,000,001 - 10,000,000	15	20
Above 10,000,000	8	13
	<b>417</b>	<b>464</b>

**27.3 Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on March 10, 2017.

**ASHAKACEM PLC**

**NON-IFRS DISCLOSURE**

**STATEMENT OF VALUE ADDED**

	31/12/2016 N'000	%	31/12/2015 N'000	%
Revenue	17,351,235		17,414,893	
Other income	(1,571,447)		(1,766,350)	
Bought in materials & services	(11,124,471)		(9,133,950)	
	<u>4,655,317</u>	<u>100%</u>	<u>6,514,593</u>	<u>100%</u>
<b>Applied as follows:</b>				
<b>Employees</b>				
Employee benefits	1,587,556	34%	2,525,874	39%
<b>Lenders</b>				
Interest on borrowings	-	0%	-	0%
<b>Government</b>				
Taxation	(648,737)	-14%	(447,886)	-7%
<b>Asset replacement</b>				
Depreciation	1,701,952	37%	1,675,245	27%
<b>Shareholders</b>				
Retained profit	2,014,546	43%	2,761,360	41%
	<u>4,655,317</u>	<u>100%</u>	<u>6,514,593</u>	<u>100%</u>

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

ASHAKACEM PLC

NON IFRS DISCLOSURE

FINANCIAL SUMMARY

	12/31/2016 N'000	12/31/2015 N'000	12/31/2014 N'000	12/31/2013 N'000	12/31/2012 N'000
<b>ASSETS/LIABILITIES</b>					
Property, Plant & Equipment	49,958,779	50,320,782	49,747,587	48,649,149	48,271,636
Intangible assets	46,616	66,349	66,028	78,699	82,345
Net current assets	15,268,502	12,592,016	13,564,643	10,962,352	9,359,122
Deferred taxation	65,273,897	62,979,147	63,398,258	59,690,200	57,713,103
Provisions	(10,221,490)	(9,904,109)	(9,739,781)	(9,506,675)	(5,706,979)
Retirement benefits obligation	(109,167)	(59,800)	-	-	-
Other long term liabilities	-	-	(2,396,845)	(3,021,485)	(2,491,879)
	<u>(10,330,657)</u>	<u>(9,963,909)</u>	<u>(12,136,626)</u>	<u>(12,528,160)</u>	<u>(8,198,858)</u>
	<u>-</u>	<u>53,015,238</u>	<u>51,261,632</u>	<u>47,162,040</u>	<u>49,514,245</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	1,119,727	1,119,727	1,119,727	1,119,727	1,119,727
Share premium	-	-	-	-	-
Retained Earnings	53,574,139	51,895,511	50,141,905	46,042,313	48,394,518
	<u>54,693,866</u>	<u>53,015,238</u>	<u>51,261,632</u>	<u>47,162,040</u>	<u>49,514,245</u>
<b>REVENUE AND PROFITS</b>					
	31/12/2016 N'000	31/12/2015 N'000	31/12/2014 N'000	31/12/2013 N'000	31/12/2012 N'000
Revenue	<u>17,351,235</u>	<u>17,414,893</u>	<u>21,133,974</u>	<u>21,694,657</u>	<u>21,825,927</u>
Income before taxation	2,663,283	3,209,246	5,250,933	2,844,864	5,473,736
Profit for the year	2,014,546	2,761,360	4,566,667	2,828,311	3,124,848
<b>Per share data (Kobo)</b>					
Earnings - Basic/Diluted	90	123	204	126	140
Net assets per share (Kobo)	2,442	2,367	2,289	2,106	2,211
Dividend per share (kobo)	-	15	45	42	42
Cement deliveries ('000 tonnes)	609	572.02	714	757	741

Earnings per share are based on profit after taxation and the number of issued and fully paid ordinary shares at the end of each year.  
Net assets per share are based on net assets and number of issued and fully paid ordinary shares at the end of each year.