



AshakaCem

AshakaCem PLC

THE STAR OF THE NORTH



ANNUAL REPORT & ACCOUNTS
2 0 0 5

A subsidiary of  LAFARGE

AIMS

"AshakaCem PLC has been called the Star of the North. Wherever it operates in Nigeria, the Company aims to serve the needs of its customers, shareholders, employees and the community at large by producing profitably and consistently cement of the highest quality".

OUR VISION

"To be the leading cement manufacturing & marketing company in the northern region and create value to our stakeholders"

MISSION

To be:

- *The preferred supplier to our customers*
- *The preferred employer to our people*
- *The preferred investment to our shareholders*
- *The preferred partner to the local communities*



SAFETY

Safety of our employees and sub-contractors is always the first priority in AshakaCem. The great efforts made by employees and management continue to pay off, as witnessed by the positive evolution of our safety indicators for the year.

Our efforts will not stop until we reach our target of zero accidents in our operations. Indeed, we will not stop even then, as sustaining such a target requires enormous commitment and dedication from everyone involved.

ENVIRONMENT

Care for the environment is at the heart of our corporate strategy. In 2005, we commenced projects that will reduce heat consumption by burning less fuel per ton of clinker manufactured. We have and will continue to improve and extend our emissions monitoring systems, and continue to aim for more aggressive targets than those required by legislative requirements.

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Notice is hereby given that the **31st Annual General Meeting** of AshakaCem PLC will be held at **TRANSCORP HILTON, ABUJA** on **Thursday 6th July, 2006** at **11.00 a.m.** for the transaction of the following business:

Ordinary Business

1. To receive the Report of the Directors, the Balance Sheet as at 31st December 2005 together with the Profit and Loss Account for the year ended on that date and the Report of the Auditors and the Audit Committee thereon.
2. To declare dividend.
3. To re-elect Directors.
4. To approve the remuneration of the Directors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To appoint members of the Corporate Audit Committee.

Dividend Warrants

If the dividend recommended by the Directors is declared, the warrants will be posted on **Friday 14th July, 2006** to Shareholders whose names appear on the Company's Register of Members at the close of business on **Friday 24th March 2006**.

Proxies

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A proxy for a Corporation may vote on a show of hands and on a poll. To be valid, executed proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. A proxy form is supplied with this notice.

Closure of Register

NOTICE is therefore hereby given that the Register of shareholders and transfer books will be closed from **Monday 20th March 2006 to Friday 24th March 2006**, both dates inclusive to enable the preparation and payment of dividend.

Nomination for the Audit Committee

The Audit Committee consists of 3 Shareholders and 3 Directors.

In accordance with section 359 (5) of the Companies and Allied Matters Act CAP C20 LFN 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least, 21 days before the Annual General Meeting.

Unclaimed Dividend Warrants and Share Certificates

Several dividend warrants and share certificates remain unclaimed or are yet to be presented for payment or returned to the company for revalidation. A list of such members will be circulated with the Annual Report and Financial Statements. Members affected are advised to write to the Company Secretary or call at the Company's registered office during normal working hours.

BY ORDER OF THE BOARD

Inusa Mohammed, LLB (Hons), BL
Company Secretary/Legal Adviser

10th Day of March 2006



DIRECTORS

Brig. E. E. Ikwue (Rtd)	-	Chairman
Mr. R. A. Hadley (British)	-	Vice Chairman
Engr. M. M. Daggash	-	Managing Director/CEO
Mr. Philippe Meyer (French)	-	Deputy MD/COO
Alh. A. R. Dukku	-	Director
Alh. Buba Yerima	-	Director
Malam Bashiru Tukur	-	Director
Mrs. Hamra Imam	-	Director
Alh. Umaru Kwairanga	-	Director
Muhammed Muhammed OFR	-	Director
Franck Phelip (French)	-	Director

SECRETARY

Inusa Mohammed, LLB (Hons), BL	-	Company Secretary/Legal Adviser
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JOINT AUDITORS

PKF - Pannell Kerr Forster
Akintola Williams Deloitte

REGISTERED OFFICE AND WORKS

Ashaka Works, Near Gombe, Gombe State.

BANKERS

Access Bank (Nigeria) PLC
CitiBank Nigeria Ltd.
First Bank (Nig.) PLC
First City Monument Bank PLC
First Inland Bank (Nigeria) PLC
Stanbic Bank Nigeria Limited
Union Bank of Nigeria PLC
United Bank for Africa PLC
Zenith Bank PLC

SOLICITORS

Wabili, Ibrahim, Mudi & Co.
Bauchi, Bauchi State.

STOCKBROKERS

Unex Securities & Investment Ltd,
3, Biaduo Street, Off Keffi Street,
SW Ikoyi, Lagos.

REGISTRARS

City Securities Limited,
17A, Tinubu Street,
Lagos.



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Alh. Buba Yerima	-	Director
Malam Bashiru Tukur	-	Director
Mrs. Hamra Imam	-	Director
Alh. Umaru Kwairanga	-	Director
Muhammed Muhammed OFR	-	Director
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REGISTRARS

City Securities Limited,
17A, Tinubu Street,
Lagos.

	2005 N/ million	2004 N/ million	% Increase/ (Decrease)
Major Balance Sheet Items:			
Fixed Assets	4,077	2,499	63
Stocks and Work-in-Progress	3,618	3,877	(7)
Net Current Assets	4,893	5,058	(3)
Total Current Assets	13,223	10,729	23
Net Assets	8,234	7,219	14
Ordinary Shareholders' Funds	8,234	7,219	14
Major Profit and Loss Account Items:			
Turnover	15,815	12,567	26
Operating Profit	5,528	3,963	39
Profit Before Tax	6,519	4,893	33
Profit After Tax	4,430	3,381	31
Ordinary Dividends	3,400	2,500	36
Major Cash Flow Items In/(Out):			
Net Cash Inflow from Operating Activities	5,412	1,950	176
Increase in Cash and Cash Equivalent	1,908	344	455
			CHANGE
Ratios:			
Operating Profit to Turnover	35.0	31.5	3.5
Profit Before Tax to Turnover	41.2	38.9	2.3
Value Added to Materials and Services	99.6	90.3	9.3
Net Return on Ordinary Shareholders' Funds	53.8	46.8	7
Gross Return on Total Assets	37.7	37.0	0.7
Turnover on Net Assets	192.1	174.1	18
Net Current Assets to Turnover	30.9	40.2	(9.3)
Average Cement Price per Tonne Delivered	N21, 635	N18, 330	3,305
Volumes:			
Cement Deliveries ('000 tonnes)	731	686	45
Number of Employees (including trainees)	666	688	(22)
			%
			Increase (Decrease)
Information per 50k Ordinary Share:			
Dividends (Kobo)	232.0	284.9	(19)
Earnings - After Exceptional Items (Kobo)	302.9	385.0	(21)
Net Assets (Naira)	8.0	5.63	42
Dividend Cover (times)	1.30	1.35	(4)

Distinguished shareholders, invited guests, ladies and gentlemen, It is my pleasure and honour as Chairman of AshakaCem PLC to welcome you to the 31st Annual General Meeting of our company and to present to you the Annual Report and Accounts for the year ended 31st December 2005. On behalf of the Board, I thank every one of you here who in spite of business demands, has found time to join us in this annual event where we present to you the results of business environment under which the company operated.

PERFORMANCE IN THE YEAR

The period under review was very eventful as it recorded series of rapid and far reaching changes on both the domestic and international scenes, engendering activities which affected our business; especially the deregulation of the oil sector. Even though this had negatively affected our operations, we have been able to exceed our performance in the previous year.

The year 2005 was not an easy one for cement manufacturers in Nigeria. The high price of oil resulted in the increase of cost of energy, which is a major input in cement production. Resulting from the general low demand for goods and services in 2005, demand for cement during the second half of the year remained depressed. However, total cement despatches were higher than the volume achieved in 2004. In spite of the volatility, which characterised the manufacturing industry in the period under review, I am pleased to inform you that the company recorded major improvements in its performance. Our achievement of these remarkable results is a reflection of management's painstaking pursuit of efficient cost management and a pro-active business strategy. As a result, operating profit for the year at N5.5 billion was higher by 39% compared with the result for 2004.

Considering this increase in the level of profitability and the future prospects of the company, our commitment to delivering superior shareholder value remains strong. Consequently, your Board of Directors felt able to recommend a total dividend payout of N3.4 billion from the N2.5 billion paid in 2004.

In line with our policy of maintaining a consistent dividend pay out ratio, Management and the Board of Directors have taken a professional look at our cash reserve now and the expected future cash generation from operations against the various cash requirements for all the expansion projects during the next 4 years and it was seen that the level of cash reserve is sufficient to meet our business requirements after executing the strategic expansion projects.

It must be noted, this pay out is entirely from the performance of 2005 and we hope to continue with the trend during subsequent years unless business judgement and reasoning dictate otherwise.

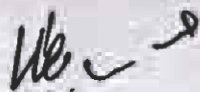
DIRECTORS

Mr. Franck Phelip and Alh. Muhammed Muhammed were nominated by Lafarge to fill casual vacancies that arose during the year under review and they were confirmed as Directors at the last Annual General Meeting. Alh. Muhammed has had a distinguished career in the banking industry and brings to the Board a wealth of valuable experience while Mr. Phelip has an excellent career within the Lafarge group and in the cement business. Permit me on your behalf to offer a warm welcome to all the new members of the Board and wish them a successful tenure. Also join me in thanking members of the Board individually and collectively for their contribution and support in sustaining your Company's profitability and growth.

CONCLUSION

Distinguished Ladies and Gentlemen, I cannot conclude this address without acknowledging with sincere thanks the patronage and support of our esteemed customers, suppliers and our host community for their loyal support over the past year. I wish to thank also the management and staff for their hard work, dedication and commitment towards achieving the laudable objectives of the company. Finally, appreciation goes to my fellow board members for the vision and strategic direction without which none of these would have been possible.

Thank you distinguished ladies and gentlemen for your kind attention and let us continue to move AshakaCem forward and make it truly the Star of the North.



Brig. E. E. Ikwue (Rtd)
CHAIRMAN



INTRODUCTION

Distinguished shareholders, ladies and gentlemen, it gives me profound pleasure to welcome you to 31st Annual General Meeting of our great company and to present to you the financial statement for the year ended 31st December 2005. My main task is to review our performance during the year under review and the strategic business initiatives designed to strengthen our leadership position in the Northern Region.

2005 ECONOMIC ENVIRONMENT, MARKET AND COMPETITION

The economic environment was stable for most part of 2005 in spite of the challenge posed by an increasingly competitive operating environment. We remain committed to our strategic goal of building long-term shareholders value, by being the preferred choice to our customers. Our resolve in that direction will no doubt create many opportunities, and with our capacity expansion project in progress, we are confident to address the critical concerns of our stakeholders. However, we will continue to treat our loyal customers with due respect and care as business partners.

The cement industry is currently facing many more challenges than ever before. New players are putting finishing touches to commission new plants and the existing ones have embarked on refurbishment programmes aimed at increasing capacity and performance improvement.

As a consequence of the new initiatives, during the year a new player came into the market and was able to penetrate the South Eastern region with about 8% market share. By cutting down his prices, he ignited a price war, a situation that eventually affected Northern Market.

The level of competition in our business is growing by the day as our country is moving fast to becoming a producer and exporter nation. It will even be tougher for us in the market place as the nation will produce in excess of our domestic cement requirement in a few years from now.

The stable environment, and government economic reform policies have continued to help the Naira to stabilize against major currencies. However, the rise in the price of fuel and its availability is posing a serious threat to operations.

WORKFORCE

We continue to recognize the importance of our people to the company's growth and profitability. Our staff remain our greatest asset. Their commitment to duty and resilience contributed to the impressive result that you have before you today. The company will continue to hold them in high esteem, and provide them with effective training programmes and ensure that their welfare package remains competitive.

During the year, we took the decision to implement Hay Grading, an internationally accepted system of reward and recognition for employees in the private sector. It is a good tool for staff motivation, training and planning the staffing requirement of an organization. Implementation of the new grading system commenced in January 2005 and is yielding positive results. We shall continue to motivate our people to achieve higher levels of productivity and engage men and women with the requisite skills and experience. We have proactively managed relations with staff across different levels and had a peaceful industrial environment during the year under review and we remain committed to ensuring harmonious industrial relations in the years ahead.

To improve performance and enhance service delivery to our esteemed customers, Management in the period under review has created three new sections namely Sustainable Development, Logistics and Strategy.

CUSTOMERS

Distinguished shareholders, on your behalf I wish to thank most sincerely our esteemed customers whose continued confidence and patronage have sustained our impressive performance over the years. Sincere appreciation goes to our valued shareholders and transporters for their tremendous support, loyalty and the confidence they have continued to repose in our company. As a Company we will continue to ensure that all our customers are treated with due care and consideration through our commitment to product quality. We shall strive to anticipate our customers' requirements and promptly respond to their needs in a fair and flexible manner. In line with the above, our market survey, which commenced in 2004, was successfully completed in 2005. In response to customer needs investments are in progress to achieve a darker colour of cement to meet the requirement of a segment of our market.

SAFETY, HEALTH AND THE ENVIRONMENT

We have achieved 217 days without LTA in the year 2005. A total of 166 near misses (98 employees, 63 contractors and 5 third party cases) were recorded. Root cause analyses were carried out for all the major cases and corrective actions were taken to forestall future occurrence.

We will continue to set high standards for the health and safety of our employees and care for the environment.

ISO 9001:2000

The Quality Management System that was developed and implemented has been assessed and certified by the Standards Organization of Nigeria after the SON's certification audit carried out between the 5th and 9th September 2005.

At an impressive ceremony on 15th December 2005 the Director General of SON presented the **ISO 9001:2000** certificate to the Board of Directors of the Company. The award is an indication that the Quality Management System of AshakaCem has been formally confirmed to meet international standards. We are currently pursuing the certification of our environmental management system to **ISO 14001:1996**.

During the past year we have made significant progress in ensuring safe working environment. A Safety policy has been developed to ensure that Company rules on safety are strictly adhered to. We are fully committed to improving the health conditions of our employees, their dependants, and our communities who may be living with HIV/AIDS. To achieve that we have instituted a formal program with a German NGO (German Technical Cooperation) to educate them and also provide free anti - retroviral drugs to patients that are living with HIV/AIDS.

COMMUNITY SUPPORT

Maintaining good relations with the communities where we operate is a major program because many of our company personnel are themselves residents of these communities. It also pays to help the community in areas where we are capable of helping because a strong and vibrant community is often a good ally of the company. A good community relations program also helps build our credibility and image not only within the community but also outside the community where we also do business.

Our focus will continue in the area of health, education, water, electricity, agricultural inputs and infrastructural development. As a general policy, we will continue to support community relation projects that will have direct impact on the lives of our communities. We will involve our local employees and create a general atmosphere of cooperation between the communities and our Company.



As a company we will continue our support in these areas while studying other projects that will in the long run empower youth in the community to set up small and medium scale enterprises to achieve our dream for a better community.

OUTLOOK FOR 2006

The economic environment is expected to remain stable with GDP growth rate expected at 4%. However, with additional foreign currency income resulting from improved oil prices and the government plan to include more items on the import prohibition list, coupled with the various government reform agenda, demand for foreign currencies may reduce the pressure on the Naira. These factors may enhance the Naira exchange rate in 2006.

It is expected that with government's liquidation of Nigeria's debt with the Paris Club of creditors, government will give more attention to the development of infrastructures and this will impact positively on our business. It is also anticipated that with the 2007 elections around the corner a lot of developmental projects will come up to appease the electorates, this will also impact positively on our business.

Government capital budget in 2006 is higher than that of 2005 and it should impact favourably on the demand for our product provided expenditure is channeled to infrastructural development. We will develop credit sales with some of our good customers in the coming year so as to improve our revenue base.

Our new ERP will promote best practice through business processes and systems that would accelerate change and growth in AshakaCem. This positive development will no doubt have impact on the bottom line.

One of the biggest cement plants in the country is expected to commence production by the middle of 2006. As a result it is expected that prices and demand will be stabilized. This and other factors are likely to increase the level of competition beyond that of 2005. In anticipation of the ban on cement importation and the Kiln up rating currently going on we are confident that we will be able to produce and sell 825 tonnes of cement in the year 2006.

Even though a tough business environment is likely to emerge, we believe in our ability to achieve our set objectives by delivering greater value to both our customers and shareholders.

Engr. M.M. Daggash
Managing Director/CEO

The Directors have pleasure in submitting to the members their annual report together with the Balance Sheet as at 31st December 2005 and Profit and Loss Account for the year ended on that date.

1. **Results for the year**

The profit for the year before taxation
Taxation
Profit for the year after taxation
Proposed Dividend
Retained Profit for the Year transferred to
Revenue Reserve

N'000
6,519,249
(2,089,365)
4,429,884
(3,400,000)
1,029,884

2. **Principal Activities**

The principal activities of the Company are the manufacturing and marketing of cement products.

3. **Directors and Directors' Interests**

In accordance with the Articles of Association of the Company: -

- Alh. Buba Yerima, Malam Bashiru Tukur and Mrs. Hamra Imam are the directors to retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

No Director has a service contract not determinable within five years.

HRH Alhaji A. R. Dukku has attained the age of 70 years.

Directors' Shareholdings

Interests of each Director in the issued shares of the Company are as follows:

	Number of Shares	
	2005	2004
Brig. E. E. Ikwue (Rtd)	341,951	205,171
Mr. R.A. Hadley (British)	89,916	35,700
Engr. M. M. Daggash	391,776	235,066
HRH Alhaji A. R. Dukku	30,833	22,500
Bashiru Tukur	100,100	50,000
Alhaji Buba Yerima	205,000	123,000
Hamra Imam (Mrs.)	1,875	1,125
Alh. Umaru Kwairanga	453,000	11,200
Alh. Muhammed Muhammed	322,025	-

No changes were made in the above holdings up to 27 May 2006

Major Shareholders

As at the date of this report, Blue Circle Industries PLC of the United Kingdom (BCI, UK) holds 50% (731,250,000 shares) of the issued Ordinary Share Capital of the Company. BCI, UK was taken over by **Lafarge SA, France** in July, 2002. Lafarge (Nigeria) Limited a Subsidiary of Lafarge SA also hold 0.16% (2,403,300 shares) of the issued Ordinary Share Capital of the Company.

4. Company Re-organisation

As part of the continuing re-organisation of the Company, we have introduced Hay Grading an internationally accepted system of reward and recognition for employees. We have continued with the restructuring of the company in preparation for the implementation of a new Business Solution (J D Edwards) in 2005.

5. Fixed Assets

Movements in Fixed Assets during the year are shown in Note 6 on Page 24. In the opinion of the Directors, the estimated market value of the Company's assets is higher than the net book value.

6. Donations, Charitable Gifts and Community Projects

Donations and charitable gifts during 2005 amounted to N144,611,377. Particular areas of concern were local community care, medical care, environmental conservation, sports, education and staff training.

No donation was made to any political party.

7. Company Distributors

The Company's product is distributed through 11 depots to approximately 670 Distributors located throughout the Company's marketing region. The Company supplies directly to certain major building contractors and individual users as well.

8. Individual Franchise and Management service Agreements

The Company has entered into a Management Services and Industrial Franchise Agreement with Lafarge SA of France.

The terms of the Agreement include:

- * The right for AshakaCem PLC to use technical research and development information relating to production and distribution of cement products.
- * The provision by Lafarge of technical and operational support through the secondment of suitably qualified expatriate personnel, as requested by AshakaCem PLC and approved by the Federal Government of Nigeria together with the advice of technical specialists based throughout the world.
- * The guarantee by Lafarge of the achievement of raw material reserves and production targets by AshakaCem PLC.
- * The payment by AshakaCem PLC to Lafarge a fee amounting to 2% of the sales.

The two new agreements approved by the Board to take effect from January 2005 are:

1. The Industrial Franchise Agreement.
2. Service Agreement.

9. Acquisition of Own Shares

The Company has not purchased any of its own shares during the year.

10. Employment and Employees**i} Employment Policies**

The Company's personnel policies are aimed at producing good relations with all its employees. The Company recognises and accepts its obligations to employ disabled persons and does what is practicable to fulfil them. Applications for employment from disabled persons are carefully considered and their aptitudes and abilities are taken fully into account. Training and promotional opportunities are made available to disabled employees in the same way as to other deserving employees.

ii} Employee Involvement

To keep employees informed about matters which affect their working lives, the Company carries out briefings, prints bulletins and holds joint consultative meetings with employees' representatives. The Company has enjoyed good industrial relations with its workforce throughout the year.

Incentive schemes designed to meet circumstances of each individual are implemented, wherever appropriate and some of these schemes, include upgrading, promotions, salary reviews, bonus, etc.

iii} Training

The Company's policy is to offer training to staff of all categories to meet operational needs and to assist with individual development. A total of 210 employees attended both overseas and local training courses in 2005.

iv} Welfare

The Company places a high premium on its greatest assets, i.e human resources, and has therefore made provision for their welfare in the following areas:

- * Residential accommodation is provided for certain categories of staff and allowances are paid to those not housed.
- * Staff transportation to ease travel to and from the factory.
- * Subsidised meals in Company owned canteen
- * Recreation and sporting facilities at the 2 staff clubs where staff can relax after office hours with drinks, tennis courts, squash courts, golf, billiards and other indoor games and swimming pools.

v} Health

The Company has a well-equipped medical centre at the factory where staff and their families receive free medical attention. The facility is also available, free of charge, to needy and

deserving cases in the local community. A similar scheme is operated through private medical practitioners whose services are retained in all other locations where the Company maintains offices and/or depots.

vi} **Safety and Environment**

It is the policy of the Company to conduct its activities in a way to take foremost account of the health and safety of its employees and other persons and to give proper regard to the conservation of the environment. The Company's Environmental Policy appears on Pages 42 to 43.

vii} **Staff Retirement Benefit Scheme**

The Company operates a Staff Retirement Benefit Scheme covering all confirmed employees. The scheme is administered by trustees, the funds are independent of the Company's finances. The scheme is funded by contributions from the Company and employees. The Company's contributions were charged to profits in the year. However, the coming into effect of the Pensions Reform Act 2004 has changed the existing Contributory Scheme to a Pension Contribution Scheme, which shall be administered by a Pension Fund Administrator in compliance with the new law.

viii} **Staff Termination Gratuity Schemes**

In addition to the Staff Retirement Benefit Scheme, the Company operates Staff Termination Gratuity Scheme covering all confirmed employees. The Company funds the Scheme wholly.

11. **Post Balance Sheet Events**

There are no material post balance sheet events.

12. **Auditors**

PKF Pannell Kerr Forster and **Akintola Williams Deloitte**, Chartered Accountants, have indicated their willingness to continue in office as Joint Auditors of the company.

A resolution will be proposed to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Dated this 27th May 2006

Inusa Mohammed, LLB (Hons), BL.
Company Secretary/Legal Adviser

We have audited the financial statements of AshakaCem PLC as at 31st December 2005 set out on pages 18 to 29 which have been prepared on the basis of the accounting policies set out on page 18.

Respective Responsibilities of Directors and Auditors

In accordance with the Companies and Allied Matters Act, CAP C.20 LFN, 2004, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit of those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the Company's books of account had been properly kept. We have obtained all the information and explanations we required for the purpose of the audit.

Opinion

In our opinion, the Company has kept proper books of accounts and the Financial Statements are in agreement with the books. The financial statements drawn up in conformity with generally accepted accounting standards in Nigeria, give a true and fair view of the state of affairs of the Company as at 31 December 2005 and of the profit and cash flows for the year ended on that date and have been properly prepared in accordance with the Companies and Allied Matters Act CAP C.20 LFN, 2004.

Aleintola Williams & Dele-Ojo

Chartered Accountants
235 Ikorodu Road, Ilupeju
P. O. Box 965
Lagos Nigeria.



27 May 2006

PKR Samuel Kari Foster

Chartered Accountants
Gidan Shehu Ahmed
P. O. Box 787
Kano Nigeria.



In compliance with Section 359 Sub-section 6 of the Companies and Allied Matters Act, 1990, we have:

- (a) reviewed the scope and planning of the audit requirements,
- (b) reviewed the External Auditors Management Report for the year ended 31 December, 2005 as well as the Management response thereon, and
- (c) ascertained that the accounting and reporting policies of the Company for the year ended 31 December 2005 are in accordance with legal requirements and agreed ethical practices.

In our opinion therefore, the scope and planning of the audit for the year ended 31 December 2005 were adequate and the Management response to the Auditors' findings was satisfactory.

Dated this 2nd March, 2006

Alh. Hamza Suleiman Wurobokki
Chairman
Corporate Audit Committee

Members of the Committee

Alh. Hamza Suleiman Wurobokki	- Chairman
Alh. Baba Kachalla Benisheik	- Member
Alhaji Ibrahim B. Kazaure	- Member
Alh. Buba Yerima	- Director
Alh. Umaru Kwairanga	- Director
Mr. Philippe Meyer	- Director

1. **Basis of Accounting**
The financial statement has been prepared in accordance with the historical cost convention.
2. **Debtors**
Full provision is made against debtors which are considered to be doubtful because of their age or circumstances.
3. **Depreciation**
Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned at the following annual rates:-

Buildings and Roads	5%
Fixed Plant	3.3%
Mobile Plant	12.5%
Motor Vehicles	33.3%
Factory Fittings, Furniture & Office Equipment	20%
4. **Foreign Currencies**
Transactions in foreign currencies are translated to Naira at the rates ruling on the dates of the transactions. Assets and Liabilities in foreign currencies are converted into Naira at the rates of exchange ruling on the balance sheet date. All exchange gains or losses arising there from are included in the operating results.
5. **Stocks and Work-in-Progress**
The basis of valuation is the lower of cost or net realisable value. Cost includes direct costs and appropriate overheads.
6. **Turnover**
Turnover represents the amount receivable for the Company's own manufactured goods supplied to customers by the Company and includes transport charges.
7. **Retirement Benefit Scheme**
 - i. Pension Scheme:
The company operates a fully funded Pension Scheme which is externally managed. The employees contribute 7.5% while the company contributes 12.5% of monthly basic salary in accordance with the requirement of Pension Reforms Act, 2004, The annual costs associated with the scheme are charged to Profit and Loss account and the funds transferred to approved Pension Administrator.
 - ii. Gratuity Scheme
Full provision is made in the financial statements for lump sum benefits payable upon retirement or resignation of employment. The scheme is not funded.
8. **Deferred Taxation**
Full provision is made in the financial statements for potential deferred tax liability, which relates to timing differences between depreciation of fixed assets for book and tax purposes in accordance with SAS 19.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

Ashaka Cem
CEMENTS LIMITED

PAGE 19

		2 0 0 5		2 0 0 4	
	Note	N'000	N'000	N'000	N'000
Turnover	2		15,815,247		12,567,156
Cost of Sales			(7,018,890)		(6,268,411)
Gross Profit			8,796,357		6,298,745
Selling and Distribution Expenses		(2,365,553)		(1,662,422)	
Administrative Expenses		(902,489)		(672,445)	
Total Operating Expenses			(3,268,042)		(2,334,867)
Operating Profit			5,528,315		3,963,878
Interest	3		990,934		929,009
Profit before taxation	4		6,519,249		4,892,887
Taxation	5		(2,089,365)		(1,512,220)
Profit after Taxation			4,429,884		3,380,667
Appropriation:					
Proposed Dividend					
Ordinary Shares at 465%					
(2004 - 570%)	13		(3,400,000)		(2,500,000)
Reserve for Bonus Issue	17		-		(292,500)
Retained Profit for the Year	18		1,029,884		588,167

PER SHARE DATA

Earnings Per Share (Kobo) - Basic	302.9	385.0
- Adjusted	302.9	231.2
Dividend Per Share (Kobo)	232.5	284.9

The Accounting Policies on page 18 together with notes and other information on pages 22 to 29 form part of these financial statements.

	Note	2005 N'000	2004 N'000
ASSET EMPLOYED:			
FIXED ASSETS	6	2,508,776	1,845,929
CAPITAL WORK IN PROGRESS	7	1,568,240	653,246
		<u>4,077,016</u>	<u>2,499,175</u>
CURRENT ASSETS			
Stocks and Work-in-Progress	8	3,617,573	3,886,746
Debtors	9	1,621,796	767,012
Bank and Cash Balances	10	7,983,725	6,075,028
		<u>13,223,094</u>	<u>10,728,786</u>
LESS: CURRENT LIABILITIES			
Trade Creditors		359,283	308,951
Other Creditors	11	2,485,638	1,032,507
Inter Company Balances	12	83,271	117,636
Dividends	13	3,400,000	2,500,000
Taxation	5	2,001,695	1,496,577
		<u>8,329,887</u>	<u>5,455,671</u>
NET CURRENT ASSETS		4,893,207	5,273,115
LONG TERM LIABILITIES			
Deferred Taxation	14	(454,553)	(337,970)
Gratuity	15	(282,067)	(215,603)
NET ASSETS		<u>8,233,603</u>	<u>7,218,717</u>
FINANCED BY:			
SHARE CAPITAL	16	731,250	438,750
RESERVE FOR BONUS ISSUE	17	-	292,500
REVENUE RESERVE	18	7,502,353	6,487,467
		<u>8,233,603</u>	<u>7,218,717</u>

The Accounting Policies on page 18 together with notes and other information on pages 22 to 29 form part of these financial statements.



Enger. M.M. Daggash
Managing Director



Brig. E.E. Ikwue (Rtd)
Chairman

	Notes	2005 N'000	2004 N'000
Cash Flows from Operating Activities			
Cash receipts from customers		15,830,916	12,542,837
Cash paid to suppliers and employees		(8,936,112)	(9,611,500)
Cash generated from operation		6,894,804	2,931,337
Tax paid	5	(1,482,663)	(981,564)
Net cash provided by operating activities	19	5,412,141	1,949,773
Cash flows from investing activities			
Interest received	3	990,934	929,009
Proceeds from sale of fixed assets		4,830	9,342
Purchase of fixed assets	6	(579,120)	(501,957)
Purchase of fixed assets in progress	7	(1,420,088)	(542,623)
Net cash provided by investing activities		(1,003,444)	(106,229)
Cash flows from financing activities			
Dividend paid		(2,500,000)	(1,500,000)
Net cash provided by financing activities		(2,500,000)	(1,500,000)
Net increase/(decrease) in cash and cash equivalents		1,908,697	343,544
Cash and cash equivalents at 1 January		6,075,028	5,731,484
Cash and cash equivalents at 31 December	20	7,983,725	6,075,028

1. INCORPORATION AND BUSINESS STRUCTURE

ASHAKACEM PLC was incorporated on 7 August, 1974 as a private limited liability company. It was converted to a public company and the shares were quoted on the Nigerian Stock Exchange in July, 1990.

The company commenced operations in September, 1979 and its principal activity is the manufacture of cement. The present ownership structure of the company is 49.84% Nigerian and 50.16% Lafarge SA held through its subsidiaries, BCI -50% and Lafarge Nigeria Limited -0.16%.

	2005 N'000	2004 N'000
2. TURNOVER		
Analysis by Operation -		
Cement	15,326,669	12,567,156
Clinker	488,578	-
	<u>15,815,247</u>	<u>12,567,156</u>
3. INTEREST		
Interest Receivable on Deposits	<u>990,934</u>	<u>929,009</u>
4. PROFIT BEFORE TAXATION	<u>6,519,249</u>	<u>4,892,887</u>
After Charging/(Crediting):		
Directors' Remuneration -		
Fees	630	551
Others	33,727	24,419
Audit Fee	8,000	6,000
(Profit)/Loss on Sale of Fixed Assets	(3,380)	10,943
Depreciation	419,918	400,653
Technical Operating Fee	264,077	461,843
Gain On Foreign Exchange Transactions	<u>(3,066)</u>	<u>-</u>

5. Taxation

Profit and Loss

Income Tax Provision for the Year

Education Tax

Less: 1% Rebate Claimed

Charge Per Profit and Loss

Add/ (Less): Deferred Taxation (Note 14)

Balance Sheet

Balance at 1 January

Rebate Written Back

Charge for the year

Payment During the year

Balance at 31 December

2005
N'0002004
N'000

1,845,976

1,391,473

140,721

105,104

1,986,697

1,496,577

(13,915)

(9,183)

1,972,782

1,487,394

116,583

24,826

2,089,3651,512,220

1,496,577

990,747

14,998

-

1,972,782

1,487,394

(1,482,662)(981,564)2,001,6951,496,577

6. FIXED ASSETS

	Land and Buildings N'000	Fixed Plant N'000	Motor Vehicles N'000	Mobile Plant, N'000	Factory Furniture & Equipment N'000	Total N'000
Cost:						
At 1 January 2005	622,323	1,894,423	332,773	598,536	562,553	4,010,608
Additions	199,584	283,519	57,290	1,670	37,057	579,120
Transfers	6,009	420,607	-	78,478	-	505,094
Disposals	-	-	(27,720)	-	-	(27,720)
At 31 December, 2005	<u>827,916</u>	<u>2,598,549</u>	<u>362,343</u>	<u>678,684</u>	<u>599,610</u>	<u>5,067,102</u>
Depreciation:						
At 1 January 2005	219,915	957,155	290,575	385,065	311,968	2,164,678
Charge for the Year	55,526	160,118	19,639	84,433	100,202	419,918
On Disposals	-	-	(26,270)	-	-	(26,270)
At 31 December, 2005	<u>275,441</u>	<u>1,117,273</u>	<u>283,944</u>	<u>469,498</u>	<u>412,170</u>	<u>2,558,326</u>
Net Book Value at 31 December 2005	<u>552,475</u>	<u>1,481,276</u>	<u>78,397</u>	<u>209,186</u>	<u>187,440</u>	<u>2,508,776</u>
Net Book Value at 31 December, 2004	<u>402,408</u>	<u>937,268</u>	<u>42,198</u>	<u>213,471</u>	<u>250,585</u>	<u>1,845,929</u>

	2005 N'000	2004 N'000
7. CAPITAL WORK-IN-PROGRESS		
Balance at 1 January	653,246	273,629
Additions	1,420,088	542,623
Transfers	(505,094)	(163,006)
Balance at 31 December	<u>1,568,240</u>	<u>653,246</u>
8. STOCKS AND WORK-IN-PROGRESS		
Raw Materials and Consumables	722,396	798,780
Spare Parts	2,291,447	2,140,234
Work-in-Progress	433,155	721,959
Finished Goods	170,575	225,773
	<u>3,617,573</u>	<u>3,886,746</u>
9. DEBTORS		
Trade Debtors	54,117	73,166
Unutilised Letters of Credit	577,471	260,723
Prepayments and Sundry Debtors	661,911	297,150
Staff Loans	42,535	29,548
Advance Payments to suppliers	285,762	106,425
	<u>1,621,796</u>	<u>767,012</u>
10. BANK AND CASH BALANCES		
Bank Deposit Accounts	6,864,662	5,501,000
Bank Current Accounts	1,116,736	567,643
Cash-in-Hand	2,327	6,385
	<u>7,983,725</u>	<u>6,075,028</u>
11. OTHER CREDITORS		
Hauliers	311,038	167,024
Accruals and Provisions	1,598,867	436,182
Distributors' Deposits	73,598	74,997
Advance Payments by Customers	502,135	354,304
	<u>2,485,638</u>	<u>1,032,507</u>



	2005 N'000	2004 N'000
12. INTER COMPANY BALANCES		
Blue Circle Industries Plc	194,481	115,398
Lafarge SA	220,316	4,270
West African Portland Cement Co. Plc	(331,573)	(2,032)
Lafarge India	47	-
	<u>83,271</u>	<u>117,636</u>
13. DIVIDEND		
i) Proposed for the year Ordinary Shares at 465% (2004 - 570%)	<u>3,400,000</u>	<u>2,500,000</u>
ii) The proposed dividend is subject to deduction of withholding tax at the appropriate rate		
iii) Unclaimed Dividends		
<p>The Company's Registrars have advised that dividend not yet claimed by Nigerian Shareholders amount to N117,358,073 (2004 - N117,358,073). The amount is still being held by the Registrars.</p>		
14. DEFERRED TAXATION		
Balance at 1 January	337,970	313,144
Provision for Current Period (note 5)	116,583	24,826
Balance at 31 December	<u>454,553</u>	<u>337,970</u>
15. GRATUITY		
Balance at 1 January	215,603	288,258
Paid In the Year	(8,635)	(120,556)
Provision in the Year	75,099	47,901
Balance at 31 December	<u>282,067</u>	<u>215,603</u>

	Authorised		Issued and Fully Paid	
	2005 N'000	2004 N'000	2005 N'000	2004 N'000
16. SHARE CAPITAL				
Ordinary Shares of 50k each	<u>732,500</u>	<u>440,000</u>	<u>731,250</u>	<u>438,750</u>
17. RESERVE FOR BONUS ISSUE				
This represents the amount appropriated in respect of bonus issue of shares of 2 Ordinary Shares for every 3 Ordinary Shares held by shareholders.			-	<u>292,500</u>
18. REVENUE RESERVE				
			2005 N'000	2004 N'000
Balance at 1 January			6,487,467	5,885,358
Prior Years Adjustment			(14,998)	13,942
Retained Profit for the Year			<u>1,029,884</u>	<u>588,167</u>
Balance at 31 December			<u>7,502,353</u>	<u>6,487,467</u>
The prior year's adjustment relates to 1% Rebate on 2000,2001 and 2002 assessment years claimed, but now revoked by the Federal Inland Revenue Service.				
19. Reconciliation of profit to net cash provided by operating activities:				
Profit after tax			4,429,884	3,380,667
Adjustment for non-cash and operating items				
Depreciation			419,918	400,653
Profit on disposal of assets			(3,380)	10,943
Interest receivables			(990,934)	(929,009)
Prior year adjustment			<u>(14,998)</u>	<u>13,942</u>
			<u>(589,394)</u>	<u>(503,471)</u>

	2005 N'000	2004 N'000
Working capital changes		
(Increase) / Decrease in stock	269,173	(374,427)
(Increase) in debtors	(854,784)	(148,217)
Increase / (Decrease) in creditors	1,503,462	(1,049,327)
Increase/(decrease) intercompany balances	(34,365)	113,892
Increase in tax payable	505,118	505,830
Increase in deferred tax payable	116,583	24,826
Increase in gratuity payable	66,464	
Total adjustments	982,257	(1,430,894)
Net cash provided by operating activities	5,412,141	1,949,773
20. Reconciliation of Cash and cash equivalent		
Bank deposit account	6,864,662	5,501,000
Bank current account	1,116,736	567,643
Cash in hand	2,327	6,385
	7,983,725	6,075,028
21. FUTURE CAPITAL EXPENDITURE		
Capital expenditure authorised by the Directors and Not provided in the account		
Committed	4,108,000	3,261,000
Not committed	4,108,000	3,261,000
22. CONTINGENT LIABILITIES		
There are no contingent liabilities at the end of 2005 (2004 - Nil)		
23. COMPARATIVE FIGURES		
Certain comparative figures have been restated in line with the presentation in current year.		
24. RELATED PARTY TRANSACTIONS		
The Company has a technical operating agreement with Lafarge SA of France and the technical operating fees payable which amounted to N264.07 million (2004-N461.84 million) has been calculated on the basis of 2% of sales.		
25. APPROVAL OF ACCOUNTS		
These accounts were approved by the Board of Directors of the company on 9th March 2005.		



FOR THE YEAR ENDED 31 DECEMBER 2005

	2 0 0 5		2 0 0 4	
	N'000	%	N'000	%
Turnover	15,815,247		12,567,156	
Interest Received	990,934		929,009	
	<u>16,806,187</u>		<u>13,496,165</u>	
Less: Cost of Materials and Services:				
Purchased: Imported	(229,330)		(320,725)	
Local	<u>(8,684,998)</u>		<u>(7,211,253)</u>	
VALUE ADDED	<u>7,891,853</u>	<u>100.00</u>	<u>5,964,187</u>	<u>100.00</u>
Applied as Follows:				
To pay Employees' Salaries, Wages and Pension Contributions	952,686	12.07	670,647	11.24
To Pay Providers of Capital - Dividends	3,400,000	43.08	2,500,000	41.92
Payable to Government				
Income Tax	1,832,061	23.22	1,382,290	23.18
Education Tax	140,721	1.78	105,104	1.76
Retained in the Business for Maintenance Of Assets and for Expansion:				
Depreciation	419,918	5.32	400,653	6.72
Deferred Tax	116,583	1.48	24,826	0.42
Reserve for Bonus Issue	-	-	292,500	4.90
Retained Profit	<u>1,029,884</u>	<u>13.05</u>	<u>588,167</u>	<u>9.86</u>
	<u>7,891,853</u>	<u>100.00</u>	<u>5,964,187</u>	<u>100.00</u>

	2005 N'000	2004 N'000	2003 N'000	2002 N'000	2001 N'000
CAPITAL AND RESERVES					
Ordinary Capital	731,250	438,750	438,750	438,750	292,500
Capital Redemption Reserve	-	-	-	-	10,000
Reserve for Bonus Issue	-	292,500	-	-	-
Revenue Reserve	7,502,353	6,487,467	5,885,358	5,262,188	4,402,649
Total Ordinary Shareholders Funds	<u>8,233,603</u>	<u>7,218,717</u>	<u>6,324,108</u>	<u>5,700,938</u>	<u>4,705,149</u>
ASSETS EMPLOYED					
Fixed Assets	4,077,016	2,499,175	1,875,533	1,534,639	1,512,229
Net Current Assets	4,893,207	5,273,115	4,761,719	4,457,863	3,487,615
Long Term Liabilities	(736,620)	(553,573)	(313,144)	(291,564)	(294,695)
	<u>8,233,603</u>	<u>7,218,717</u>	<u>6,324,108</u>	<u>5,700,938</u>	<u>4,705,149</u>
TURNOVER	<u>15,815,247</u>	<u>12,567,156</u>	<u>10,198,926</u>	<u>8,741,820</u>	<u>8,649,057</u>
PROFITS, DIVIDENDS AND RETENTIONS					
Depreciation	419,918	400,653	400,150	358,022	270,231
Operating Profit	5,528,315	3,963,878	2,458,493	1,815,281	2,184,011
Profit before Taxation	6,519,249	4,892,887	3,135,497	2,093,071	2,792,578
Profit after Taxation	4,429,884	3,380,667	2,123,170	1,522,289	1,850,970
Ordinary Dividend	3,400,000	2,500,000	1,500,000	526,500	438,750
Bonus Issue Reserve	-	292,500	-	-	146,250
Retained Profit	1,029,884	588,167	623,170	995,789	1,265,970
Dividend per Share (K)	232.5	284.9	170.9	60.0	75.0
Adjusted Dividend Per Share (K)	232.5	170.9	102.6	36.0	30.0
Basic Earnings per Share (K)	302.9	385.3	242.0	173.5	210.9
Adjusted Earnings Per Share (K)	302.9	231.2	145.2	104.1	126.6
Net Assets Per Share (N)	5.63	8.23	7.21	6.50	5.36
Adjusted Net Assets Per Share (N)	5.63	4.94	4.32	3.90	3.22
Dividend Cover (Times)	1.30	1.35	1.42	2.89	4.20
Cement Deliveries ('000 tonne)	731	686	706	708	749
Average Cement Price - Per Tonne Delivered (N)	21,635	18,320	14,442	12,347	11,547
Capital Expenditure ('000)	1,999,208	1,044,580	745,148	393,209	631,972
Number of Employees (Including Trainees)	666	688	767	769	1,573

EARNINGS AND DIVIDENDS

Earnings, dividend and net assets per ordinary share of 50 kobo have been computed on the profit after taxation, the dividend proposed and the shareholders' funds respectively on the basis of the number of ordinary shares in issue as at each year end. Adjusted earnings per share, adjusted dividends per share and adjusted net assets per share have been computed on the basis of shares in issue at 31st December 2005

