

THE NIGERIAN STOCK EXCHANGE  
CLIENT

**2006**  
ANNUAL REPORT  
& ACCOUNTS



 **Benue Cement Company Plc**  
RC 15545

## ■ NOTICE OF 27TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 27th Annual General Meeting of Benue Cement Company Plc will be held at CIVIC CENTRE, OZUMBA MBADIWE, VICTORIA ISLAND, LAGOS, on Tuesday, 3rd April, 2007 at 11.00 a.m.

### AGENDA

#### ORDINARY BUSINESS

1. To receive and consider the accounts for the year ended 31st December, 2006 and the report of the Directors and Auditors thereon.
2. To receive the report of the Audit Committee.
3. To elect or re-elect the Directors.
4. To fix the remuneration of the Directors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To elect members of the Audit Committee.

#### SPECIAL BUSINESS

#### ORDINARY RESOLUTION

#### BONUS ISSUE

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That the Directors having recommended that it is desirable to capitalize the sum of ₦154,687,500 from the amount standing to the credit of the share premium account in the books of the Company and accordingly that such be set aside for distribution amongst the shareholders of the Company whose names appear on the Register of Members at the close of business on Friday, 23rd March, 2007 in the proportion of one new ordinary share of 50 kobo for every eight ordinary shares held by them on that date on the condition that the same be not paid in cash but be applied in paying up in full 309,375,000 new ordinary shares of 50 kobo each so distributed to rank *pari passu* with the existing issued ordinary shares of the Company. The new shares so distributed being treated for all purposes as capital and not income and the Directors shall give effect to this resolution on receipt of necessary permission from the authorities".

Dated this 7th day of March, 2007

#### BY ORDER OF THE BOARD

**ITYOYILA UKPI, ESQ.**

*Company Secretary/Legal Adviser*

#### NOTE:

#### 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 an organisation may vote on a show of hand and on a poll. To be valid, executed forms of proxy should be deposited at the Registered Office of the Company or with the Registrar not less than 48 hours before the time of holding the meeting.

#### AUDIT COMMITTEE

In accordance with Section 395(5) of the Companies and Allied Matters Act, 1990 a shareholder may nominate another shareholder for appointment as member of the Audit Committee by giving notice to the Company Secretary at least 21 days before the Annual General Meeting.

#### CLOSURE OF REGISTER

The Register of Members and Transfer Books will be closed from Monday, 26th to Friday, 30th March 2007 both days inclusive.



■ **PROFESSIONAL ADVISERS AND  
OTHER CORPORATE INFORMATION**

**SECRETARY**

Ityoyila Ukpi, Esq.

**REGISTERED OFFICE**

The Factory Premises,  
Kilometre 72, Makurdi-Gboko Road,  
Tse-Kucha,  
P.M.B. 063, Gboko,  
Benue State.

**SUB-OFFICES**

Abuja, Enugu, Jos, Kaduna,  
Lagos and Makurdi

**DEPOTS**

Abuja, Adikpo, Gboko, Makurdi, Otukpo, Tse-Kucha,  
Vandeikya, Jos, Enugu and Lafia.

**AUDITORS**

BDO Oyedirán Faleye Oke & Co.  
Alhaji Dash House (Top Floor)  
Ankpa Road — Makurdi,  
Benue State.

**REGISTRARS**

AfriBank Registrars Limited,  
9, Keffi Street, S.W. Ikoyi,  
Lagos, Nigeria.



## ■ FINANCIAL HIGHLIGHTS

	2006 N'000	2005 N'000
Turnover	<u>6,029,209</u>	<u>4,005,101</u>
Profit before taxation and exceptional items	1,779,946	1,374,508
Exceptional items	2,080,700	936,235
Taxation	(755,581)	(66,803)
Profit after taxation and exceptional items	3,105,065	2,243,940
Shareholders' funds	<u>8,354,898</u>	<u>(1,354,870)</u>
Basic earnings per share (k)	<u>125k</u>	<u>453k</u>



## ■ CHAIRMAN'S STATEMENT

### INTRODUCTION

Distinguished shareholders, my colleagues on the Board of Directors, gentlemen of the press, ladies and gentlemen.

It is with great pleasure that I welcome you all to the 27th Annual General Meeting of the Company, and particularly to the venue of this year's meeting, Civic Centre, Victoria Island here in Lagos.

This meeting provides the unique opportunity to present to you, our shareholders, the highlights of the Company's performance for the year ended 31st December, 2006 but not before a brief comment on the business environment in which we have had to operate during the year under review.

### BUSINESS ENVIRONMENT

The economic environment has not been favourable to the manufacturing sector of the economy which is still heavily constrained by the problems of multiple taxation, difficulty in freight and clearing of goods, low capacity utilization and high inventory of unsold stock.

Some manufacturers are still unable to access required funding from the 25 consolidated banks and even when successful, at high cost. Of even greater concern is the very significant percentage of overhead costs applied to alternative means of power supply due to the inability of the Power Holding Company of Nigeria Plc (PHCN) to provide constant and adequate electricity supply. Some small-scale manufacturing concerns invariably had to shut down as they were unable to cope with the harsh operating environment.

However, the concessioning of the ports and the introduction of destination inspection scheme has helped to provide a friendlier operating environment for all stakeholders with a view to reducing the cost of doing business in Nigeria. Meanwhile, the cement sub-sector has gained a very significant victory with the Federal Government ban on cement importation, and with the 70% supply gap to be made up by the local industry yet to be closed, cement companies are presented a good opportunity to boost output and therefore profitability.

### RESULTS

The results for the year show a turnover of ₦6.029 billion from the ₦4.005 billion in year 2005. The operating expenses increased from ₦654.3 million in the year 2005 to ₦1.042 billion in year 2006 as a result of increased activity in the year under review. Interest payable and similar charges decreased to ₦138.3 million from ₦194.2 million in the previous year. The shareholders funds have improved from a deficit of ₦1.354 billion to a surplus ₦8.354 billion in year 2006 as a result of improved performance for the financial year under review.

Distinguished shareholders, your Company has this year made a profit after taxation of ₦3.105 billion as against ₦2.243 billion last year.

### BONUS ISSUE

Distinguished shareholders, your Directors have recommended subject to your approval at this meeting a bonus of one new ordinary share of 50 kobo for every eight ordinary shares held from the share premium account in the books of the Company. This in today's stock valuation translates to about ₦7.00 per share return.

### BOARD CHANGES

The Company's Board did not witness any changes since the last Annual General Meeting.

### SOCIAL RESPONSIBILITY

As a responsible corporate citizen, the Company has demonstrated strong commitment in duly discharging its social responsibility obligations to the host community by fulfilling the planned execution of a number of welfare



## ■ CHAIRMAN'S STATEMENT

*Continued*

programmes aimed at improving our operational environment by facilitating harmonious co-existence and economically empowering the youth.

These economic empowerment programmes are encapsulated in our Environmental Empowerment programmes through a revolving motorcycle loans scheme, registered Farmers Co-operative Unions and a scholarship scheme for deserving students in institutions of higher learning in Nigeria. All schemes have been launched and are fully operational. The Company also hopes to ensure that services of tractors and other mechanized farming tools and implements are within reach of the community.

Concrete steps have also been directed at providing electricity and potable water supply to some of the community, in full consultation and partnership with them. Our Staff School and Staff Clinic remain open to members of the community.

The importance of effective community relations cannot be over-emphasised. A special department known as the Environmental Management Department was established and is responsible for liaison with our host community aimed at ensuring a peaceful operational environment. We will continue to explore ways of improving our host community through planned welfare programmes and seek the continued understanding with assurances that we will grow together.

### **WORKFORCE**

The rehabilitation and expansion work embarked upon by the Management of the Company is almost complete and the Nigerians who, worked alongside the contracting expatriate team have achieved significant technology acquisition.

It is not an over-statement, and we maintain that, our workforce is and remains our most valuable asset. Therefore, staff training and development aimed at improving the professional and leadership abilities of our staff will be vigorously pursued, leading to increased growth and higher performance levels of the Company's operations.

Staff welfare is a priority of the Company, in furtherance of which, a new salary structure and staff handbook was approved for staff and is already being implemented.

### **FUTURE OUTLOOK**

Despite the enormous challenges experienced in the year under review with regards to our expansion programme and the difficult business environment in the country, we are determined to remain focused and achieve our planned capacity expansion and utilization targets thereby improving our profit margins significantly. Through a strong focus on basic fundamentals, improved industrial and administrative efficiencies as well as a sound declining cost strategy and also with the abiding faith and support of our customers and shareholders our targets will be achieved.

### **CONCLUSION**

In conclusion, I wish to invite our distinguished shareholders, ladies and gentlemen to please join me in appreciating the Board, Management and Staff of the Company for their efforts in the course of our operations during the year.

To you our most distinguished customers and shareholders, the support we have continued to enjoy from you remains deeply appreciated.

I say welcome once more, thank you for listening and God bless.

**ALHAJI ALIKO DANGOTE, CON**

*Chairman, Board of Directors*



## ■ DIRECTORS' REPORT

### 1. INTRODUCTION

The Directors of Benue Cement Company Plc have the pleasure in presenting to you their report and the financial statements of the Company for the year ended 31st December 2006.

### 2. RESPONSIBILITIES OF DIRECTORS

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its results for that period and comply with the Companies and Allied Matters Act, 1990. These responsibilities include ensuring that:

- (i) adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities;
- (ii) proper accounting records are maintained;
- (iii) applicable accounting standards are followed;
- (iv) suitable accounting policies are used and consistently applied;
- (v) the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

### 3. PRINCIPAL ACTIVITIES

The Company is principally involved in the production and sale of ordinary Portland Cement (OPC). Every other activity is ancillary.

### 4. RESULTS FOR THE YEAR

	2006 N'000	2005 N'000
Profit before taxation and exceptional items	1,779,946	1,374,508
Exceptional items	2,080,700	936,235
Taxation	(755,581)	(66,803)
Profit after taxation	<u>3,105,065</u>	<u>2,243,940</u>

### 5. BONUS ISSUE

The Directors have recommended that it is desirable to capitalize the sum of ₦154,687,500, if the shareholders approve, from the amount standing to the credit of the share premium account in the books of the Company and that such be distributed amongst the shareholders of the Company whose names appear on the Register of Members at the close of business on Monday, 26th March 2007 in the proportion of one new ordinary share of 50 kobo for every eight ordinary shares held by them on that date on the condition



## ■ DIRECTORS' REPORT

*Continued*

that the same be not paid in cash but be applied in paying up in full 309,375,000 new ordinary shares of 50 kobo each so distributed to rank *pari passu* with the existing issued ordinary shares of the Company. The new shares so distributed being treated for all purposes as capital and not income.

### 6. BOARD OF DIRECTORS

The Company's Directors for the year under review were as follows:

Alhaji Aliko Dangote	—	<i>Chairman</i>
Alhaji T. A. Sijuade	—	<i>MD/CE</i>
Mr. Olakunle Alake	—	<i>Director</i>
Mr. D. V. G. Edwin	—	<i>Director</i>
Mr. Olusegun Olusanya	—	<i>Director</i>
Engr. (Chief) Isaac Wakombo	—	<i>Director</i>
Col. Basil Kwembeh (Rtd)	—	<i>Director</i>
Chief David Attah	—	<i>Director</i>
Senator John Wash Pam	—	<i>Director</i>
Chief E. K. Ashiekaa	—	<i>Director</i>

### 7. DIRECTORS' SHAREHOLDING

In accordance with Section 275 of the Companies and Allied Matters Act, 1990 the direct and indirect interests of the Directors in the issued share capital of the Company as recorded in the Register of Members as at 31st December, 2006 are as follows:

<b>Names</b>	<b>No. of Shares</b>
Alhaji Aliko Dangote	200,114,333
Alhaji T. A. Sijuade	Indirect holdings
Mr. Olakunle Alake	5,000,000
Mr. D. V. G. Edwin	Indirect holdings
Mr. Olusegun Olusanya	18,750
Col. Basil Kwembeh (Rtd)	Indirect holdings
Chief David Attah	Indirect holdings
Senator John Wash Pam	Indirect holdings
Chief E. K. Ashiekaa	93,750

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, 1990 of any interest in any contracts with which the Company was involved as at 31st December, 2006.



## ■ DIRECTORS' REPORT

*Continued*

### 8. SUBSTANTIAL INTEREST IN SHARES

Name	Address	Holdings	Per Cent %
Aliko Dangote	1, Alfred Rewane Road, Ikoyi, Lagos	200,114,333	8.08
Dangote Industries Ltd.	P.O. Box 74608, Lagos	1,655,452,121	66.89
Benue Investment & Property Co. Ltd.	Km 4 Old Makurdi/Otukpo Road, Makurdi	135,885,746	5.49

### 9. ANALYSIS OF SHAREHOLDINGS

Range	No. of Holders	Units	Per Cent (%)
1 — 1,000	24,667	10,572,949	0.43
1,001 — 5,000	8,023	17,135,719	0.69
5,001 — 10,000	1,190	8,780,188	0.35
10,001 — 50,000	1,231	27,150,727	1.10
50,001 — 100,000	258	19,310,067	0.78
100,001 — 500,000	341	72,607,630	2.93
500,001 — 1,000,000	76	53,986,993	2.18
1,000,001 — 2,000,000,000	81	2,265,455,727	91.53
Grand Total	<u>35,867</u>	<u>2,475,000,000</u>	<u>100.00</u>

### 10. EMPLOYMENT AND EMPLOYEES

#### (i) Employment Policies

The Company policies have continued to be tailored towards producing good relations with all its employees. It also recognizes and accepts its obligations to employ disabled people within their aptitude and abilities.

#### (ii) Employment Involvement

The Company is committed to keeping employees fully informed about the performance on matters which particularly affect them. This is done through a range of programmes including management briefings, bulletins and joint consultative committees.

### 11. DONATION

Donation during the year 2006 was ₦5,000,000. No donation was made to any political party.

	₦'000
Tiv Day 2006 celebrations: Book launch	5,000
	<u>5,000</u>



**■ DIRECTORS' REPORT***Continued***12. HEALTH AND SAFETY**

The Company has continued to maintain a very high standard of safety within the working environment in compliance with the Factories Act, 1987. And the health of employees and their immediate families continues to be a priority and is taken seriously.

The Company's Environmental Management Department monitors and oversees the probable consequence of the production process on the environment in accordance with the Federal Ministry of Environment rules and regulations.

The Company has continued to procure, distribute and enforce the use of high quality personal safety wears by all its personnel who work in risk and hazard areas. Plans have been concluded for the re-equipment and revival of the fire service unit of the Company. Also to be introduced is a sustained HIV/AIDS awareness and prevention programme among the workforce (and the community).

**13. STAFF RETIREMENT AND DEATH-IN-SERVICE BENEFITS SCHEME**

The Company operates a staff retirement and death-in-service benefit scheme covering all confirmed employees. The scheme is funded by contributions from the Company and employees, the Company's contributions being charged to profits in the year as they fall due.

However, the coming into effect of the Pension Reforms Act of 2004 has changed the existing contributory scheme to a pension contribution scheme which is being administered by Pension Fund Administrators chosen by the staff.

**14. STAFF TERMINATION GRATUITY SCHEME**

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.

**15. DISTRIBUTORS**

The Company's products are distributed at the moment through numerous bulk order representatives spread across the whole country. We shall strive to maintain our lead in the market.

**16. RESEARCH AND DEVELOPMENT**

The Company has continued under the auspices of Cement Manufacturers Association of Nigeria (CMAN) to make significant contributions towards research into the exploration of gypsum.

**17. AUDITORS**

In accordance with section 357(2) of the Companies and Allied Matters Act, 1990, BDO Oyediran Faleye Oke & Co. (Chartered Accountants) have indicated their willingness to continue in office as Auditors of the Company and a resolution will be proposed at the Annual General Meeting to empower the Directors to fix their remuneration.

**18. CONCLUSION**

This year has no doubt been a challenging year for us, but with the dynamic and visionary Board, sound Management and competent workforce, and the invaluable support of you, our customers and distinguished shareholders, we will continue to make positive progress.

**BY ORDER OF THE BOARD****ITYOYILA UKPI, ESQ.***Company Secretary/Legal Adviser*



**BDO Oyediran Faleye Oke & Co.**  
Chartered Accountants

P. O. Box 731,  
Alhaji Dash Building (Top Floor), Ankpa Road,  
(Opposite Nigeria Union of Journalists Building)  
Makurdi, Nigeria.  
Telephone: (234) 044 531787  
Telefax: (234) 044 531270.  
Vat reg. no. MKV 1000252484

## ■ REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 14 to 27 which have been prepared on the basis of the accounting policies stated on pages 12 and 13.

### Respective Responsibilities of Directors and Auditors

1. As described in the statement of Directors' responsibilities in relation to the financial statements on page 6, the Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements prepared by the Directors and to report our opinion to you.

### Basis of Opinion

2. We conducted our audit in accordance with Auditing Standards. 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.

3. 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, whether caused by fraud or other irregularity or error. 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 have been properly kept.

### Opinion

4. The financial statements are in agreement with the books which, in our opinion, have been properly kept. We obtained the information and explanations we required.

5. In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the applicable Statements of Accounting Standards issued by the Nigerian Accounting Standards Board and the relevant provisions of the Companies and Allied Matters Act, 1990.



**Makurdi, Nigeria**  
8 March, 2007

**BDO Oyediran Faleye Oke & Co.**  
Chartered Accountants



Member Firm of BDO International BV, a company registered under the laws of the Netherlands.  
Member of the Public Practice Section of the Institute of Chartered Accountants of Nigeria

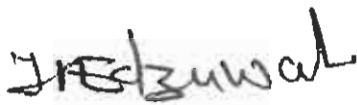
Partners: B. Adigboju Adigun, David A. Oluwalana, E. Oluwalana Oluwalana  
Nigerian Offices: Abuja, Ibadan, Lagos, Port Harcourt

**BENUE CEMENT COMPANY PLC**

## ■ REPORT OF THE AUDIT COMMITTEE TO SHAREHOLDERS

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, 1990, we have examined the Auditors report for the year ended 31st December, 2006. We have obtained all the information and explanations we required.

In our opinion, the Auditors report is consistent with our review of the scope and planning of the Audit. We are also satisfied that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices. Having reviewed the Auditors' findings and recommendations on Management matters, we are satisfied with Management responses therein.



**TERESA LARABA EDZUWAH (MRS.)**

*Chairman, Audit Committee*

Dated this 7th day of March, 2007

### MEMBERS OF THE COMMITTEE

Mrs. Teresa Laraba Edzuwah	—	<i>Chairman</i>
Mr. Olakunle Alake	—	<i>Member</i>
Mr. Olusegun Olusanya	—	<i>Member</i>
Senator John Wash Pam	—	<i>Member</i>
Dr. David S. Aye	—	<i>Member</i>
Mr. J. A. Ityough	—	<i>Member</i>
I. Ukpi, Esq.	—	<i>Secretary</i>



## ■ ACCOUNTING POLICIES

The following are the principal accounting policies adopted in the preparation of these financial statements.

### (a) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of the factory premises, included in land and buildings.

### (b) Depreciation of fixed assets

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose are:

Leasehold land and buildings	2.5%
Plant and machinery	7.5% – 25%
Quarry equipment	20%
Office equipment	20%
Motor vehicles	25%
Mobile cranes	20%
Furniture and fittings	10%

In the case of revalued properties, depreciation is calculated by reference to the enhanced values of the properties concerned. No depreciation is charged on fixed assets until they are brought into use and in the year of disposal.

### (c) Repairs and renewals

All repairs and renewals are written off as incurred.

### (d) Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost is ascertained on the following basis:

- (i) **Raw materials, consumable stores and spares** — Weighted average cost.
- (ii) **Work-in-progress** — Standard cost of production together with appropriate proportion of production overheads.
- (iii) **Finished goods** — Manufacturing cost and the attributable proportion of variable factory overheads.



■ **ACCOUNTING POLICIES**

*Continued*

(e) **Foreign currency translation**

Transactions in foreign currencies are translated into Naira at the rates ruling on the dates of the transactions. Assets and liabilities in foreign currencies are converted into Naira using the rates ruling at the balance sheet date. All exchange gains or losses arising on conversion are included in the operating results.

(f) **Turnover**

Turnover represents the invoiced value of goods to third parties less discounts and value added tax.

(g) **Debtors**

Bad debts are written off and specific provisions are made for those debts considered doubtful.

(h) **Deferred taxation**

Deferred taxation is provided for by the liability method, which represents taxation at the current rate of Corporate Income Tax on the difference between the net book value of fixed assets qualifying for capital allowances and their corresponding tax written down values.

(i) **Retirement benefits scheme**

The Company operates a gratuity scheme and a pension fund scheme for the benefit of its employees.

- (i) **Gratuity Scheme** — The gratuity scheme is unfunded. Benefits payable to employees on retirement or resignation are accrued over the service life of the employee concerned based on current salary.
- (ii) **Pension Fund Scheme** — The Company in line with the provisions of the Pension Reform Act, 2004 has instituted a defined contribution pension scheme for its employees. Employees contribute 7.5% of their annual basic salary, housing and transport allowances. The Company's contribution which is charged to the profit and loss account is also 7.5%.



## ■ PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 N'000	2005 N'000
<b>Turnover</b>	1	6,029,209	4,005,101
Cost of sales		(3,070,499)	(1,785,720)
<b>Gross profit</b>		2,958,710	2,219,381
Operating expenses		(1,042,041)	(654,308)
<b>Trading profit</b>		1,916,669	1,565,073
Other income	2	1,605	3,639
		1,918,274	1,568,712
Interest payable and similar charges	3	(138,328)	(194,204)
<b>Profit before taxation and exceptional items</b>	4	1,779,946	1,374,508
Exceptional items	5	2,080,700	936,235
Profit after exceptional items but before taxation		3,860,646	2,310,743
Taxation	6	(755,581)	(66,803)
<b>Profit for the financial year after taxation</b>		3,105,065	2,243,940
Loss brought forward		(4,251,293)	(6,495,233)
<b>Loss carried forward</b>		(1,146,228)	(4,251,293)
Basic earnings per share	7	125k	453k

The accounting policies on pages 12 and 13 and notes on pages 17 to 25 form part of these financial statements.

Auditors' Report, page 10.



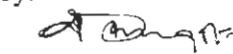
## ■ BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006		2005	
		N'000	N'000	N'000	N'000
<b>EMPLOYMENT OF CAPITAL</b>					
Fixed assets	8		25,222,804		17,834,056
Long-term investment	9		50		50
<b>CURRENT ASSETS</b>					
Stocks and work-in-progress	10	371,017		364,614	
Engineering stocks		1,676,117		604,006	
Debtors and prepayments	11	1,671,222		974,550	
Cash at bank and in hand		168,916		4,779	
		<u>3,887,272</u>		<u>1,947,949</u>	
<i>Less:</i>					
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts falling due within one year:					
Borrowings	12	5,020,545		10,983,026	
Trade and other creditors	13	4,315,336		3,578,141	
Taxation	6(b)	615,807		150,474	
Amounts due to related companies	14	4,994,213		5,420,055	
		<u>14,945,901</u>		<u>20,131,696</u>	
<b>NET CURRENT LIABILITIES</b>			(11,058,629)		(18,183,747)
<b>TOTAL ASSETS/(LIABILITIES)</b>			14,164,225		(349,641)
<i>Less:</i>					
Creditors: Amounts falling due after more than one year:					
Deferred tax	6(d)		(206,577)		—
Retirement benefits and related obligations	15		(5,103)		(227,451)
Borrowings	16		(5,597,647)		(777,778)
<b>TOTAL NET ASSETS/(LIABILITIES)</b>			<u>8,354,898</u>		<u>(1,354,870)</u>
<b>FINANCED BY:</b>					
<b>CAPITAL AND RESERVES</b>					
Share capital	17		1,237,500		247,500
Share premium	18		5,574,041		114,026
Reserve for bonus shares	18(b)		154,688		—
Revaluation reserve	8(b)		2,534,897		2,534,897
Profit and loss account	19		(1,146,228)		(4,251,293)
<b>Shareholders' funds</b>			<u>8,354,898</u>		<u>(1,354,870)</u>

The financial statements and notes on pages 14 to 27 were approved by the Board of Directors on 6th March, 2007 and signed on its behalf by:

Alhaji Aliko Dangote, CON



— Chairman

Mr. T. A. Sijuade



— Managing Director

The accounting policies on pages 12 and 13 and notes on pages 17 to 25 form part of these financial statements. Auditors' Report, page 10.



## ■ CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006		2005	
		₦'000	₦'000	₦'000	₦'000
<b>Cash flow from operating activities:</b>					
Cash received from customers		5,894,818		7,438,600	
Other operating income		1,605		3,639	
Exceptional items	5	2,080,700		936,235	
Cash paid to employees and suppliers		(6,053,389)		(2,107,938)	
Cash (paid to)/received from parent Company		(425,842)		2,073,665	
Net cash inflow from operating activities	20(a)		1,497,892		8,344,201
<b>Cash flow from investing activities:</b>					
Purchase of fixed assets	8(a)	(7,657,518)		(15,000,571)	
Net cash flow from investing activities			(7,657,518)		(15,000,571)
<b>Cash flow from financing activities:</b>					
Increase in share capital		990,000		—	
Increase in Bank loan		5,819,869		777,778	
Increase/(decrease) in share premium		5,614,703		(39,374)	
Interest expenses	3	(138,328)		(194,204)	
Net cash flow from financing activities			12,286,244		544,200
Net increase/(decrease) in cash and cash equivalents			6,126,618		(6,112,170)
Cash and cash equivalents at 1 January			(10,978,247)		(4,866,077)
Cash and cash equivalents at 31 December	20(b)		(4,851,629)		(10,978,247)

The accounting policies on pages 12 and 13 and notes on pages 17 to 25 form part of these financial statements.

Auditors' Report, page 10.



## ■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 N'000	2005 N'000
<b>1. TURNOVER</b>		
(i) <b>Analysis by geographical areas:</b>		
Within Nigeria	6,029,209	4,005,101
(ii) <b>Analysis by operations:</b>		
Bagged cement	6,029,209	4,004,101
Bulk cement	—	1,000
	<u>6,029,209</u>	<u>4,005,101</u>
<b>2. OTHER INCOME</b>		
Rental income	—	3,500
Staff school	42	86
Miscellaneous income	1,563	53
	<u>1,605</u>	<u>3,639</u>
<b>3. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Interest payable on term loans	—	22,001
Interest on bank overdraft	37,166	143,667
Bank charges	101,162	28,536
	<u>138,328</u>	<u>194,204</u>
<b>4. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		
(i) <b>Profit before taxation and exceptional items is arrived at after charging:</b>		
Depreciation of fixed assets	268,770	224,243
Directors' remuneration	740	740
Auditors' fees	4,200	3,000
<b>and after crediting:</b>		
Exceptional income	2,080,700	936,235
Rental income	—	3,500



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

### (ii) Emoluments of Directors and Employees:

- (a) The aggregate emoluments of the Directors were:  
Fees  
Other emoluments, including pension contributions

2006	2005
N'000	N'000
740	740
—	—
<u>740</u>	<u>740</u>

- (b) The Chairman's emoluments (excluding pension contributions) totalled

<u>100</u>	<u>100</u>
------------	------------

- (c) The emoluments of the highest paid Director (excluding pension contributions) amounted to

<u>100</u>	<u>100</u>
------------	------------

- (d) The table below shows the number of Directors of the Company excluding the Chairman whose remuneration excluding pension contributions fell within the bands shown:

	₦	₦
Up to	—	70,000
	70,001	—
	—	80,000

2006	2005
No.	No.
—	—
<u>8</u>	<u>8</u>
<u>8</u>	<u>8</u>

### (iii) Staff number and costs

- (a) The average number of persons employed (excluding the Directors) during the year was as follows:

Engineering	258	201
Production	178	138
Finance and administration	264	233
Commercial	24	14
	<u>724</u>	<u>586</u>

- (b) The aggregate payroll costs of these persons were as follows:

Wages and salaries including bonus and contribution to pension schemes

2006	2005
N'000	N'000
<u>418,435</u>	<u>267,968</u>



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

- (c) The table below shows the number of employees of the Company other than Directors who earned over ₦250,000 in the year and which fell within the bands stated below:

₦	—	₦
250,001	—	300,000
300,001	—	400,000
500,001	—	600,000
700,001	—	800,000
900,001	and above	

2006 No.	2005 No.
555	419
21	21
78	78
41	41
29	27
<u>724</u>	<u>586</u>

### 5. EXCEPTIONAL INCOME

Write back of engineering stock written off  
Write back of provisions no longer required  
Bank facilities interest written off

2006 ₦'000	2005 ₦'000
—	582,908
1,041,777	353,327
1,038,923	—
<u>2,080,700</u>	<u>936,235</u>

### 6. TAXATION

- (a) **Per profit and loss account:**

Income tax on the results for the year:  
Minimum tax  
Income tax  
Education tax  
Deferred tax

2006 ₦'000	2005 ₦'000
—	16,103
465,037	—
83,967	50,700
206,577	—
<u>755,581</u>	<u>66,803</u>



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

	2006 N'000	2005 N'000
(b) <b>Per balance sheet:</b>		
Balance 1 January:		
Income tax	99,774	83,671
Education tax	50,700	—
	<u>150,474</u>	<u>83,671</u>
Payments during the year:		
Overprovision in prior years	(83,671)	—
Provision for the year:		
Minimum tax	—	16,103
Income tax	465,037	—
Education tax	83,967	50,700
Balance 31 December	<u>615,807</u>	<u>150,474</u>

(c) **Deferred taxation**

As a result of accelerated rate of income tax, the net book value of fixed assets at the balance sheet date exceeded their corresponding tax written down values by N688.5 million (31 December 2005: N686.7 million); an increase during the period of N1.8 million. A provision of N206.6 million (2005: Nil) has been made in these financial statements for the tax that will become payable in future upon reversal of this timing difference as a result of unutilised capital allowances.

(d) **The movement on the deferred taxation account is as follows:**

	2006 N'000	2005 N'000
Balance 1 January	—	—
Provision for the year	206,577	—
Balance 31 December	<u>206,577</u>	<u>—</u>

### 7. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated on the Company's results after taxation and based on the number of ordinary shares in issue during the year.



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

### 8. FIXED ASSETS

(a) These comprise:

	Leasehold land and buildings N'000	Plant and machinery N'000	Motor vehicles N'000	Furniture, fittings and equipment N'000	Capital work-in- progress N'000	Total N'000
<b>Cost/Valuation</b>						
At 1 January 2006	2,680,283	2,078,688	50,671	104,956	14,869,518	19,784,116
Additions	21,673	21,667	215,350	15,746	7,383,082	7,657,518
At 31 December 2006	2,701,956	2,100,355	266,021	120,702	22,252,600	27,441,634
<b>Depreciation</b>						
At 1 January 2006	440,328	1,425,434	6,419	77,879	—	1,950,060
Charge for the year	67,174	150,566	44,026	7,004	—	268,770
At 31 December 2006	507,502	1,576,000	50,445	84,883	—	2,218,830
<b>Net book values at:</b>						
31 December 2006	<u>2,194,454</u>	<u>524,355</u>	<u>215,576</u>	<u>35,819</u>	<u>22,252,600</u>	<u>25,222,804</u>
31 December 2005	<u>2,239,955</u>	<u>653,254</u>	<u>44,252</u>	<u>27,077</u>	<u>14,869,518</u>	<u>17,834,056</u>

(b) The Company revalued its land and buildings, plant and machinery, furniture, fixtures, fittings, office/domestic equipment and motor vehicles/heavy duty trucks as at 31 December 1999. The revaluation was carried out by Messrs Jide Taiwo & Co., Estate Surveyors and Valuers on the basis of Open Market Value (with recourse to Depreciated Replacement Cost) between a willing buyer and a willing seller. The revised value of the factory premises at Tse-Kucha was ₦2,572,570,000, resulting in a surplus on revaluation of ₦2,534,897,100 which has been credited to a fixed assets revaluation account. The surplus of ₦11,155,791,000 on the Company's other assets arising on the revaluation has not been reflected in these financial statements.

### 9. LONG-TERM INVESTMENT

This represents unquoted investment in Lion Football Club Limited.

	2006 Cost of investment N'000	2005 Cost of investment N'000
Lion Football Club Limited	<u>50</u>	<u>50</u>

The investment of ₦50,000 in Lion Football Club Limited represents the shares in the Company at incorporation.



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

	2006 N'000	2005 N'000
<b>10. STOCKS AND WORK-IN-PROGRESS</b>		
Raw materials and consumables	305,048	173,302
Work-in-progress	65,969	191,312
	<u>371,017</u>	<u>364,614</u>

	2006 N'000	2005 N'000
<b>11. DEBTORS AND PREPAYMENTS</b>		
Trade debtors	76,722	211,113
Sundry debtors	51,679	38,587
Staff debtors	35,440	20,056
Prepayments	1,525,849	330,578
Deposits for imports	208,668	389,644
Shares issue expenses	—	142,761
	1,898,358	1,132,739
<i>Less: Provision for bad debts</i>	(227,136)	(158,189)
	<u>1,671,222</u>	<u>974,550</u>

	2006 N'000	2005 N'000
<b>12. BORROWINGS</b>		
Amounts falling due within one year of the balance sheet date:		
Bank overdraft	3,759,247	838,192
Commercial paper	1,261,298	10,144,834
	<u>5,020,545</u>	<u>10,983,026</u>

The bank facilities are secured by Cross Corporate Guarantee of Dangote Industries Limited and a mortgage debenture on all the fixed and floating assets of the Company.

	2006 N'000	2005 N'000
<b>13. TRADE AND OTHER CREDITORS</b>		
(a) Trade creditors	2,236,907	1,657,471
Other creditors	885,916	1,135,567
Accruals	1,092,513	668,264
Dividend awaiting remittance	—	16,839
Deposit for shares (Note 13(b))	100,000	100,000
	<u>4,315,336</u>	<u>3,578,141</u>

(b) The deposit for shares was made by Benue Investment Property Company Limited.



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

	2006 N'000	2005 N'000
<b>14. AMOUNT DUE TO RELATED COMPANIES</b>		
Dangote Industries Limited — Current account	4,509,602	5,420,055
Dangote Sugar	329,980	—
Dangote Agro Sack	142,980	—
Obajana Cement Company	11,651	—
	<u>4,994,213</u>	<u>5,420,055</u>

The Dangote Industries Limited current account represents amounts advanced to the Company as working capital. The balance attracts interest at the lender's borrowing rate.

	2006 N'000	2005 N'000
<b>15. STAFF RETIREMENT BENEFITS</b>		
The movement in the staff retirement benefit is as follows:		
Balance at 1 January	227,451	210,206
Charge for the year	30,236	17,245
Remittance to pension fund administrator during the year	(42,378)	—
Pension written-off	(50,318)	—
Payment to beneficiaries	(159,888)	—
Balance at 31 December	<u>5,103</u>	<u>227,451</u>

	2006 N'000	2005 N'000
<b>16. BORROWINGS</b>		
Amounts falling due after more than one year:		
Term loans	5,556,641	777,778
FGN — Debenture	41,006	—
	<u>5,597,647</u>	<u>777,778</u>

The loans are secured by Cross Corporate Guarantee of Dangote Industries Limited and a mortgage debenture on all the fixed and floating assets of the Company.



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

### 17. SHARE CAPITAL

#### Authorised

##### Number

Ordinary shares of 50 kobo each

##### Value

Ordinary shares of 50 kobo each

	2006 '000	2005 '000
Ordinary shares of 50 kobo each	3,000,000	3,000,000
Ordinary shares of 50 kobo each	N'000 1,500,000	N'000 1,500,000

#### Issued and fully paid

##### Number

Ordinary shares of 50 kobo each

##### Value

Ordinary shares of 50 kobo each

	2006 '000	2005 '000
Ordinary shares of 50 kobo each	2,475,000	495,000
Ordinary shares of 50 kobo each	N'000 1,237,500	N'000 247,500

#### Issued and fully paid

Balance at 1 January

Rights issue during the year

Balance 31 December

	N'000	N'000
Balance at 1 January	247,500	247,500
Rights issue during the year	990,000	—
Balance 31 December	1,237,500	247,500

#### Rights issue of ordinary shares

The Company made a rights issue of 1,980,000,000 ordinary shares of ₦0.50 each at ₦3.50k per share in November 2005. The shares were allotted in March 2006.

### 18. SHARE PREMIUM

(a) Balance at 1 January

Share premium from rights issue

Expenses incurred on the increase in authorised share capital

Share issue expenses

Reserve for bonus issue

Balance at 31 December

	2006 N'000	2005 N'000
Balance at 1 January	114,026	153,400
Share premium from rights issue	5,797,239	—
Expenses incurred on the increase in authorised share capital	—	(39,374)
Share issue expenses	(182,536)	—
Reserve for bonus issue	(154,688)	—
Balance at 31 December	5,574,041	114,026

(b) At the Board of Directors meeting held on 6 March 2007, the Directors recommended that the sum of ₦154,687,500 standing to the credit of the share premium account be capitalised and distributed to shareholders on the basis of one ordinary share for every eight ordinary shares held as at 23 March 2007. The new shares will rank *pari passu* with the existing shares.

### 19. PROFIT AND LOSS ACCOUNT

The movement on the profit and loss account is analysed below:

Balance at beginning of the year

Profit for the year

Balance at end of the year

	2006 N'000	2005 N'000
Balance at beginning of the year	(4,251,293)	(6,495,233)
Profit for the year	3,105,065	2,243,940
Balance at end of the year	(1,146,228)	(4,251,293)



## ■ NOTES TO THE FINANCIAL STATEMENTS

*Continued*

### 20. RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES

	2006		2005	
	₦'000	₦'000	₦'000	₦'000
(a) Net income after tax		3,105,065		2,243,940
<b>Adjustment to reconcile net income to net cash provided:</b>				
Interest expenses	138,328		194,204	
Depreciation	268,770		224,243	
<b>Changes in assets and liabilities:</b>				
Increase in stocks and work-in-progress	(1,427,535)		(929,564)	
(Increase)/decrease in debtors and prepayments	(696,672)		3,433,499	
Increase in creditors and accruals	1,291,359		1,037,411	
(Decrease)/increase in amount due to related companies	(425,842)		2,073,665	
(Decrease)/increase in tax payable	(755,581)		66,803	
Total adjustments		(1,607,173)		6,100,261
Net cash provided by operating activities		1,497,892		8,344,201

### (b) Analysis of cash and cash equivalents:

	2006	2005
	₦'000	₦'000
Bank balance	168,916	4,779
Borrowings	(5,020,545)	(10,983,026)
	<u>(4,851,629)</u>	<u>(10,978,247)</u>

### 21. CONTINGENT LIABILITIES

The Company is subject to various claims arising in the normal course of business. The contingent liabilities in respect of pending litigations amounted to ₦10,353,473.87. In the opinion of the Directors, based on legal advice, no material loss is expected to arise from these claims.

### 22. CAPITAL COMMITMENTS

There were commitments to capital expenditure at the Balance Sheet date amounting to ₦1 billion (2005: ₦2 billion). This expenditure relates to the acquisition of various items of plant and machinery for the reactivation of the factory.

### 23. RELATED PARTY TRANSACTIONS

During the year, various transactions were conducted between the Company and its parent company, Dangote Industries Limited. Note 14 discloses the net amount payable at the year end.



## ■ STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005	
	N'000	%	N'000	%
Turnover	6,029,209		4,005,101	
Exceptional items	2,080,700		936,235	
Other income	1,605		3,639	
Bought-in-materials and services — Local	(2,890,526)		(1,655,644)	
— Foreign	(534,809)		(292,173)	
	<u>(3,425,335)</u>		<u>(1,947,817)</u>	
Value added	<u>4,686,179</u>	<u>100</u>	<u>2,997,158</u>	<u>100</u>
% of value added	78%		75%	
Applied as follows:				
To pay salaries and wages	418,435	9	267,968	9
To provide for depreciation of fixed assets	268,770	6	224,243	8
To pay taxes to Government	755,581	16	66,803	2
To pay financial charges	138,328	3	194,204	6
Retained in the Company	3,105,065	66	2,243,940	75
	<u>4,686,179</u>	<u>100</u>	<u>2,997,158</u>	<u>100</u>



## ■ FIVE-YEAR FINANCIAL SUMMARY

	2006 N'000	2005 N'000	2004 N'000	2003 N'000	2002 N'000
<b>OPERATING RESULTS</b>					
Turnover	6,029,209	4,005,101	—	390,996	583,009
Profit/(loss) before taxation and exceptional items	1,779,946	1,374,508	(911,841)	(725,551)	(2,145,266)
Exceptional items	2,080,700	936,235	—	—	—
Taxation	(755,581)	(66,803)	(619)	(1,107)	(2,141)
Profit/(loss) after taxation and exceptional items	3,105,065	2,243,940	(912,460)	(726,658)	(2,147,407)
Retained profit/(loss)	3,105,065	2,243,940	(912,460)	(726,658)	(2,147,407)
<b>BALANCE SHEETS</b>					
Fixed assets	25,222,804	17,834,056	3,057,728	3,035,970	3,202,874
Long-term investments	50	50	50	50	50
Current assets	3,887,272	1,947,949	4,457,277	396,113	1,119,235
Total assets	29,110,126	19,782,055	7,515,055	3,432,133	4,322,159
<i>Less:</i>					
Current liabilities	(14,945,901)	(20,131,696)	(10,864,285)	(6,079,109)	(5,590,361)
Total assets/(liabilities)	14,164,225	(349,641)	(3,349,230)	(2,646,976)	(1,268,202)
Amount falling due after more than one year:					
Deferred tax	(206,577)	—	—	—	—
Retirement benefits and other related obligations	(5,103)	(227,451)	(210,206)	—	—
Borrowings	(5,597,647)	(777,778)	—	—	(652,116)
Total net assets/(liabilities)	8,354,898	(1,354,870)	(3,559,436)	(2,646,976)	(1,920,318)
Share capital	1,237,500	247,500	247,500	247,500	247,500
Share premium	5,574,041	114,026	153,400	153,400	153,400
Reserve for bonus issues	154,688	—	—	—	—
Revaluation reserve	2,534,897	2,534,897	2,534,897	2,534,897	2,534,897
Profit and loss account	(1,146,228)	(4,251,293)	(6,495,233)	(5,582,773)	(4,856,115)
Shareholders' funds	8,354,898	(1,354,870)	(3,559,436)	(2,646,976)	(1,920,318)
<b>STATISTICS</b>					
Basic earnings per share (k)	125	453	(184)	(146)	(433)
Net assets/(liabilities) per share (k)	338	(273)	(719)	(534)	(387)



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