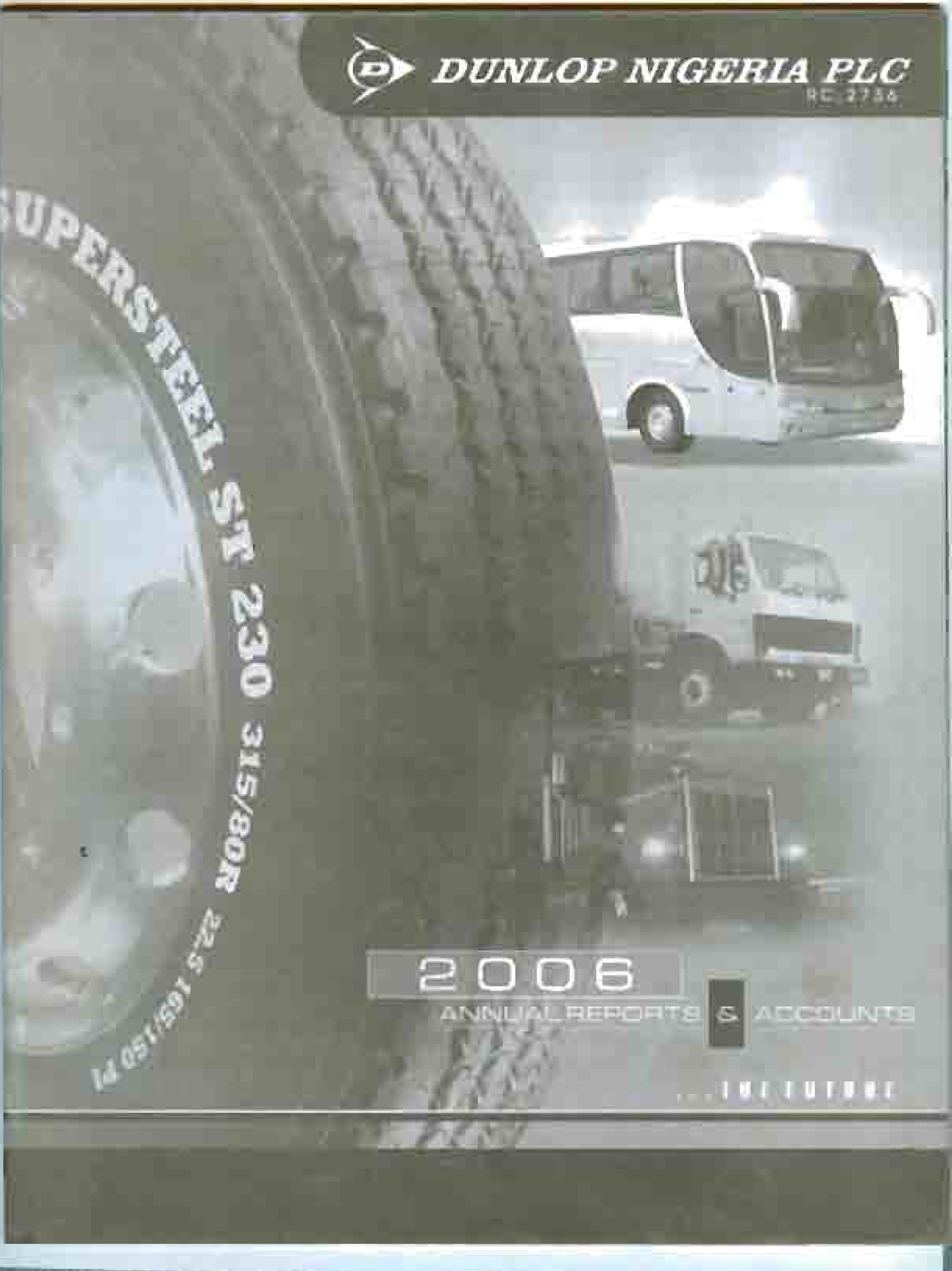
DUNLOP NIGERIA PLC

RC 2756



2006

ANNUAL REPORTS & ACCOUNTS

...THE FUTURE

Mission Statement

To harness the best efforts of everyone in the Company for making quality our top priority in order to fulfil customer requirements effectively.

To provide career opportunities for our employees, ensure optimum value to our shareholders and remain a responsible corporate member of the society, concerned with sustainable development.

Quality Policy

The unwavering focus of our business is a total commitment to providing products and services of the highest quality for full customer satisfaction.

To this end, the Company is committed to establishing and maintaining the necessary systems and procedures designed to conform fully with applicable National and International Quality Standards such as KBS, ECE 30 and ISO 9000 Quality Standards.

It is a fundamental requirement that all employees fully participate in the development of, and comply with quality procedures relevant to their work and fully respect the Company's systems at all times.

Environmental Policy Statement

Our Company is totally committed to providing products and services of the highest quality, whilst we remain concerned with sustainable development through upholding environmental principles and practices.

To forestall potentially harmful effects on the environment, we are committed to upholding the best practices in Environmental Management by:

- Developing systems, procedures and best business practices for complying with applicable environmental legislation and regulations.
- Ensuring that our operations and products are safe for the employees, customers, suppliers/contractors, other stakeholders, and the environment.
- Being fully committed to complying with applicable environmental standards, and instituting immediate remedial measures where and when necessary.
- Seeking continuous improvement on the drive towards eliminating any negative impact of our operations on the environment through appropriate process and policy reviews.

Contents

Summary of Results

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	₦'000	₦'000	₦'000	₦'000
Turnover	[illegible]084,957	5,150,383	5,[illegible]	5,037,493
(Loss/Profit) Before Interest and Tax	(288,716)	104,580	(370,452)	66,303
Net Interest Payable	(364,755)	(310,025)	(326,970)	(274,256)
Loss Before Taxation	(653,472)	(205,445)	(696,421)	(207,953)
Loss After Taxation	(647,874)	(246,456)	(687,356)	(204,609)
Shareholders' Funds	7,379,744	4,407,183	6,900,327	3,935,349
Earnings per share (Naira)	(0.86)	(0.33)	(0.88)	(0.27)
Return on Shareholders' Fund (%)	(8.78)	(5.59)	(9.07)	(5.20)
Net Assets Per Share (Naira)	(10.75)	(6.45)	(9.13)	(5.21)
Stock Exchange Quotation	4.18	2.79	4.18	2.79

Directors and Officers

Chairman
Jabez Dayo Lawuyi, OON

Group Managing Director/Chief Executive Officer
Mohammed Jimoh Yinusa

Directors
Gamaliel Onosode, GCON (Resigned 17th August, 2006)
Michael John Hankinson (South African) (Resigned 27th April, 2006)
Michael Ayodeji Ola (Resigned 17th August, 2006)
Gonche Mimbo Ibra, OON
Kolapo Albert Popoola
Olawale Olasunkanmi Ajai
Sikiru Olumide Araoye (Resigned 24th May, 2007)
Mansur Ahmed
Ogala Osoka, KJW
Olawale Sarajudeen Salami
Terry [illegible] Palmore (Appointed 1st August, 2006)

Company Secretary
Olufemi [illegible] (Mrs) (Appointed 27th November, 2006)

Registered Office
Plot 23, Oba Akran Avenue,
Ikeja, Lagos.

Abuja Group Office
Plot 258, Zakariya'u Maimalari Street,
Central Area, Abuja.

Auditors
Ernst & Young,
2A, Bayo Kuku Road,
Ikoyi, Lagos.

Registrar
Union Registrars Limited,
2, Burma Road,
Apapa, Lagos.

Notice Of Annual General Meeting

Notice is hereby given that the 45th Annual General Meeting of Dunlop Nigeria PLC will be held at the Lagos Airport Hotel, 111 Awolowo Way, Ikeja on Tuesday 4th September, 2007, at 11.00 a.m. for the following purposes:

1. To lay before the meeting the Audited Financial Statements for the year ended 31st December, 2006.
2. To elect/re-elect Directors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To fix the remuneration of Directors.
5. To elect Members of the Audit Committee.
6. SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions as special resolutions:-

A. TO AMEND THE ARTICLES OF ASSOCIATION

"That the Memorandum and Articles of Association of the Company be and are hereby amended by deleting the text of Articles 52 and 99 thereof and replacing them with the following clauses:

"52 No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, 25 members of the Company present in person or by proxy or one-third of the total number of members of the Company whichever is less shall form a quorum."

"99 Subject as hereinafter provided, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined, four Directors (of which two shall have non-executive functions) shall constitute a quorum. Questions arising at any meeting shall be determined by a majority of votes, in case of an equality of votes, the Chairman shall have a second or casting vote. One Director may, and the Secretary shall, at the request of a Director at any time, summon a meeting of the Directors giving at least fourteen days' notice, and stating the object of the meeting. Provided that a meeting may be convened by a shorter notice with the consent of all the Directors."

B. TO RECONSTRUCT THE COMPANY'S SHARES

"That the Directors be and are hereby empowered to take all steps necessary (and may commence consultations with relevant professionals) to determine a value ratio in the best interest of the Company, for the consolidation of the share capital of the Company."

BY ORDER OF THE BOARD

OLUFEMI DABAYEMI (MRS)
Company Secretary

Oba Akran Avenue, Ikeja Lagos
25th June, 2007

NOTES

Proxy

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy is attached to the Annual Report and Accounts and, to be valid for the purpose of the meeting, it must be completed and deposited at the office of the Registrar, Union Bank of Nigeria PLC, 2, Burma Road, Apapa, Lagos, not less than 48 hours before the time fixed for the meeting.

Closure of Register & Transfer Books

The Register of Members and Transfer Books will be closed from 6th to 10th August, 2007 both dates inclusive.

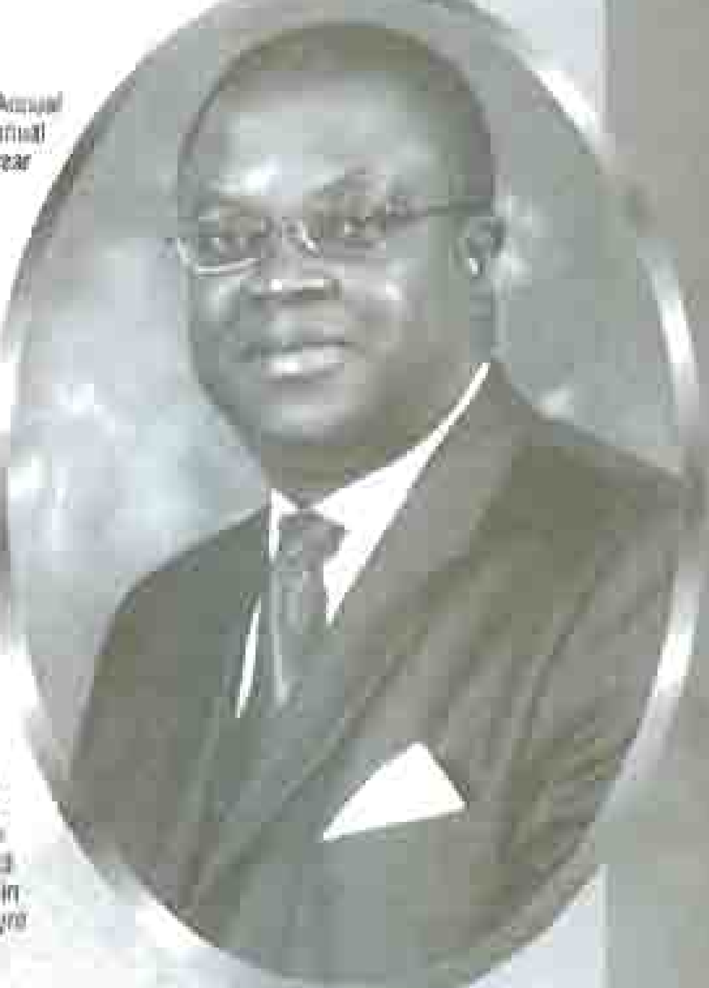
Audit Committee

In accordance with Section 359(5) of the Companies and Allied Matters Act, CAP C20 LFN 2004, a nomination, in writing, by any member of a shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting.

Chairman's Statement

Distinguished Ladies & Gentlemen

It gives me great pleasure to welcome you to the Forty-Fifth Annual General Meeting of our Company. I shall now present the Annual Report and Statement of Accounts of the Company for the year ended 31st December, 2006.



MR. J.D. LAWUYI, MON
CHAIRMAN

THE OPERATING ENVIRONMENT

Hopes were high at the beginning of 2006 that the year's Federal Government budget of ₦1.9 trillion, would impact greatly on infrastructure, especially energy - a fundamental requirement and yet, a long-term bane of the manufacturing industry. Unfortunately however, the success of the budget which was very much dependent on the sale of crude oil, was marred by the incessant restiveness in the Niger Delta area, amongst other factors.

Oil production was greatly hampered and NNPC estimates the loss arising from militant activities in that area at $10 billion. This greatly affected the local infrastructure. Power supply dropped below 3,000MW and additionally, the closure of the [illegible] Power Station for maintenance of the gas pipeline [illegible] it, led to the shutting down of gas supply for some time. The severity of the operating environment led to the closing down of several companies that could not cope with the difficult situation. Most significant amongst the companies affected by the harshness of the operating environment in 2006, was Michelin Tyre Co. Ltd ("Michelin"), the only other tyre manufacturing company in Nigeria besides Dunlop, which closed down its tyre manufacturing operations in Nigeria late in the year.

Despite these problems, Nigeria retained its BB- rating of the previous year (given by two international rating companies) and the [illegible] achievements of the Obasanjo Administration which included the increasing inflows of Foreign Direct Investment to address inadequate infrastructure. The government also formally launched its Niger Delta Regional Development master plan, a ₦6.3 trillion, five-year plan for sustainable development in the Niger Delta area. Gross Domestic Product grew by 5.6% in 2006, a growth of 8.9% was recorded in the non-oil sector and inflation rate was 10%. The exchange rate remained stable at about ₦128 to the US dollar, while bank lending rate stayed generally under 20%.

OPERATING RESULTS

The Company's operations for the year were greatly affected by the cash flow challenges it faced. Operations in the second half of the year especially, suffered disruptions in factory and, subsequently, marketing activities. Even though sales volumes were lower by as much as 10.5%, turnover value of 2005 level was achieved due to better pricing in a difficult marketing environment.

On the whole, the Company made a loss before interest and tax of ₦[illegible]m. A loss after tax of ₦[illegible]m was recorded including bank interest of ₦328m, as against ₦[illegible]m in 2005.

With the phased commercialisation of the truck radial tyres (starting with the first size in the first quarter of 2007 and two other sizes in the second quarter), hope is high that appreciable returns which will match the level of investment will be recorded, thereby making 2007 performance a very significant improvement over 2006.

Chairman's Statement (Cont'd)

THE MARKET

Though the economic fundamentals were fair, the unfavourable **Common External Tariff** (CET) of **10%** on [illegible] tyres continued to encourage the importation **of sub-standard** and under-invoiced tyres in large quantities. Michelin which, as a local manufacturer of tyres, had been a comrade in fighting this unfair competition has now moved its manufacturing activities out of Nigeria and indicated that it also intends to commence importation of tyres for sale. This leaves your Company as the only tyre **manufacturer** in Nigeria **and West Africa**. We however are not relenting in our effort to overcome this challenge and the Manufacturers' Association of Nigeria (MAN) **has** joined us in impressing on the Federal Government, the importance of creating a level-playing field for all operators in our sector.

The cost of production continued to escalate but the **biggest obstacle to sales** in the year was the Company's inability to produce and sell sufficient tyres of the appropriate mix. This was due to various factors, most of which were rooted in the severe cash flow challenges the Company went through during the year. I am happy to report that these challenges have now been surmounted.

FACTORY PERFORMANCE

The factory recorded a production volume achievement of 5% less than was achieved in the previous year largely due to multiple stoppages resulting from raw material shortages, a factor that arose from the cash flow challenges faced by the Company, coupled with the incessant power outages. The raw material shortage alone resulted in about [illegible] volume [illegible].

ALL STEEL RADIAL TRUCK TYRE PROJECT ("ASRT")

The ASRT project was concluded and the radial truck tyres emanating from it are now being [illegible] in phases. Development of the second size (315/80R22.5) was concluded only late in the year [illegible] as a result of our desire to ensure that we build more than the required safety margins into the tyre. Our efforts have now resulted in a product that we are very satisfied will stand the test of time. Further sizes (12R 22.5 and [illegible]) were developed and introduced into the market in the second quarter of 2007. All the sizes, except one (1200 R20), are now being sold commercially and are being launched at strategic points all over the Country. The report from the market is that the tyres have been positively received and are performing satisfactorily.

RECAPITALISATION

The Company went to the capital market in November 2006 offering 1,5[illegible]4,4[illegible],000 shares for offer by subscription at the rate of N2.50 each and 758,[illegible],000 as rights issue at the rate of N2.30 each ("the Offer"). By the end of the Offer, [illegible] shareholders had taken up their rights totaling 4[illegible]5,[illegible],416 shares and also applied for additional shares totaling [illegible] while [illegible] valid applications for 2,[illegible],[illegible],712 shares had been received in the public offer. The Offer was therefore [illegible]% oversubscribed.

Shares were initially allotted to the shareholders and new applicants to the extent that the Offer allowed; thereafter steps, which included an Extraordinary General Meeting, were taken which allowed the excess subscription to be additionally allotted, thereby providing much needed funds for the Company's operations.

With the success of the Offer, the Company was able to restructure its financial obligations to reduce the high financing costs that had been eating its profitability and it also enhanced its working capital. It is with confidence therefore that I say we can look to a future of better returns to our investments in the Company, having finally received the proceeds in May, 2007. I will like to put on record the appreciation of your Board for your show of confidence and faith in the future of your Company.

The success of the Public Offer has however presented us with a further challenge. With the offer, the share holding of the company has risen from 250,000,000 units of shares held by 37,130 shareholders to 4,77[illegible],[illegible],212 units held by 9[illegible],[illegible]5[illegible] shareholders. Payment of dividend under this new shareholding structure will no doubt be expensive and if we are not careful, we may find that the value we have saved in re-structuring our debt is frittered away in distributing dividend to shareholders.

To avoid this, we are proposing that our shares be reconstructed. This will see the consolidation of the number and value of existing shares. We are discussing with our consultants on the best consolidation formula and we propose that the reconstruction should be completed before dividends become due for payment next year. We would ask that you authorise the Board to take preliminary steps towards reconstruction of the shares.

COMMITMENT TO QUALITY

The Company remains ISO 9001 certified with the Vehicle Certification Agency (VCA) of the United Kingdom and the Standards Organisation of Nigeria (SON). Our tyres also continue to win consecutive certification and the Gold Award by SON. We have similarly received the "E" mark of the European Union on 10 additional tyre sizes in the Elite, Crown and [illegible] ranges.

Chairman's Statement (Cont'd)

BOARD OF DIRECTORS

On 17th August last year, Mr. [illegible] O. Onosode OFR, who had been director of the Company since 1976 and Chairman of the Board since 1984, retired from the Board together with Mr Michael Ayo [illegible]. We, on your behalf, gave them a befitting farewell and thanked them for the years they served the Company. We continue to wish them the best in their future endeavours.

On that same day, I retired from the position of Executive Vice Chairman and Chief Executive Officer of the Company. Consequently, Mr Mohammed Jimoh Yinusa became the Chief Executive Officer. I however remain a member of the Board. My colleagues on the Board have unanimously appointed me Chairman from the same date. I thank them for the confidence they have reposed in me. Further, Mr Terence Montague Padmore, an industrial engineer and erstwhile General Manager of Dunlop Africa Marketing (UK) Ltd, was appointed a non-executive member of the Board with effect from 1st August 2006. He brings with him 36 years of experience in the management of the Dunlop tyre technology.

We have, again on your behalf, congratulated Mr. Padmore on his appointment and welcomed him to the more exciting and fulfilling responsibilities of his new role, believing his contributions will add further value to the Company as it enters into the much awaited era of renewed business hope and vigour.

HUMAN CAPITAL DEVELOPMENT

The Company continued to invest in the training and development of its staff. A career development program framework was put in place during the year and an engineering training school opened in conjunction with the Industrial Training Fund (ITF) to impact basic technical skills on our prospective technicians.

The level of employee morale was generally high and members of staff enthusiastically participated in the [illegible] of the Company's shares in the recently concluded Rights Issue and Public Share Offer. I would take this opportunity to thank all members of staff once again for their loyalty and commitment to the Company, particularly at a time when the Company was undergoing very serious challenges.

PAMOL (NIGERIA) LTD

Pamol's operating results were affected by industrial relations crises experienced early in the year. It was however able to get over the worst of this by the end of the first half of the year.

The Company embarked on a rights issue of ₦[illegible] billion in the course of the year with all the shareholders committed to taking up their rights. Dunlop took up its full rights by converting its existing loans to Pamol to equity for the purpose.

Pamol's turnover for the year was 20% better than the previous year's performance, net financing charges at ₦[illegible]m were almost at the same level with 2005, while profit before tax of ₦[illegible]m was [illegible]% better than achievement in the previous year.

PROSPECTS

The Federal Government proposed a budget of ₦2.3 trillion for 2007 as against the ₦1.9 trillion for 2006. The budget lays more emphasis on settlement of domestic debts as opposed to the usual thrust on foreign reserves. It has targeted certain projects which are aimed at addressing the infrastructural inadequacies presently preventing businesses from operating efficiently. This is expected to lead to growth and the creation of wealth. If carried through, the implementation of the budget should generate additional employment, and thus improve the purchasing power of the populace. Indeed, a gross domestic product growth of 10% is predicted while inflation is targeted at 9%. The post bank consolidation trend of a low interest rate regime is also expected to continue. All of these should create further improved business environment leading to enhanced profitability. The declaration of a "state of emergency" in the power sector, an election promise by the new government, should, hopefully, lead to significant attention to the improvement of power supply.

However, being an election year, there were noticeable disruptions to business activities prior to and during the various elections, which culminated in loss of many productive days in the early part of the year. Hopefully things will settle significantly by the middle of the year by which time it is expected that the new government would have come to a better grip of the business of governance.

The oversubscription of the Offer reflects the confidence of investors in the Company and gives added impetus to drive the Dunlop brand to optimise profitability. The equity injected is a much welcomed [illegible] into the future of prosperity we have always envisaged as being within the reach of the Company. I anxiously look forward, with you, to the future when the payment of dividends will resume, after the lull of the last few years.

Meanwhile, on behalf of the Board, I thank all members for their understanding, patience and prayers, all of which should translate into much better performance from now on.

J. E. LAWUYI, mni
CHAIRMAN
24th MAY, 2007

Report of The Directors

The Directors have pleasure in presenting to the members of the Company their Annual Report together with the Audited Financial Statements for the year ended 31st December, 2006.

LEGAL FORM

The Company was incorporated on 21st October, 1961, and commenced business in February, 1963.

PRINCIPAL ACTIVITIES

The business of the Company comprises the manufacture and sale of vehicle tyres and tubes.

RESULTS FOR THE YEAR

	2006 N'000
Loss after taxation	(667,356)
Loss brought forward	(486,618)
Loss carried forward	(1,153,974)

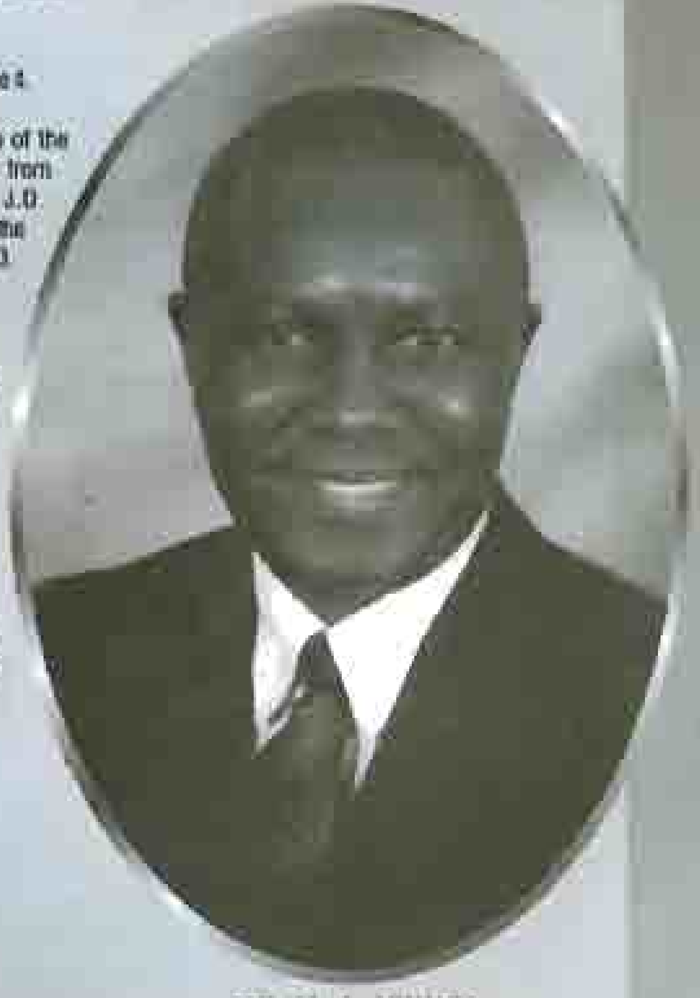
BOARD OF DIRECTORS

i) The Directors that served during the year are as stated on page 4.

ii) Mr G. O. Onosode OON, erstwhile Director and Chairman of the Board since 1984 as well as Mr. Ayo Oni, retired from the Board on 17th August, 2006 while Mr. J.D. Lawygi, who retired from his executive position in the Company. On the same date, the Board appointed Mr J. D. Lawygi, Chairman of the Board to replace Mr Onosode. Mr S. O. Arauye resigned his position earlier in the year.

iii) Mr. Terry Montague Padmore was appointed to the Board and took up his appointment during the year. In accordance with Article 77 of the Company's Articles of Association, Mr. Terry Montague Padmore will retire at the Annual General Meeting and, being eligible, offers himself for election.

iv) In accordance with Article 92 of the Company's Articles of Association, Messrs. M. Ahmed, O. Dosika OON and O. S. Satani will retire from the Board by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.



MR. M. J. YINUSA
GROUP MANAGING DIRECTOR / CEO

Report of The Directors Cont'd

DIRECTORS' INTERESTS

The interests of the Directors in the issued share capital of the Company as recorded in the Register of Members and as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C20 LF 2004, are as follows:

	As at 31st December, 2006	As at 15th May, 2007
J. D. Lawuyi, MON	1,125,000	5,558,386
M. J. Yinusa	584,558	35,082,158
G. M. Ibru, OON	1,063,478	2,126,956
K. A. Popoola	241,500	500,000
O. O. Ajai	16,000	1,032,000
M. Ahmed	3,300	203,330
O. Osoka	102,471	204,942
O. S. Salami	38,000	550,000
T. M. Padmore	-	200,000

ANALYSIS OF SHAREHOLDING

The Register of Members was consolidated at the Public Offer and Rights Issue and the consolidated Register reveals that no single shareholder holds 5% or more, of the Company's shares.

The range of the distribution of the shares of the Company is as follows:

NO. OF SHARES		HOLDERS No.	%	HOLDINGS No.	%
1 -	1,000	20,478	21.87%	15,[illegible]7,217	0.33%
1,001 -	5,000	40,615	43.37%	110,[illegible]3,170	2.[illegible]%
5,001 -	10,000	13,333	14.24%	111,733,[illegible]79	2.34%
10,001 -	50,000	13,259	14.16%	339,384,[illegible]98	7.11%
50,001 -	100,000	2,567	2.74%	214,518,330	4.49%
100,001 -	500,000	7,105	7.25%	48[illegible],407,702	10.13%
500,001 -	1,000,000	844	0.90%	[illegible]5,375,067	14.78%
1,000,001 -	5,000,000	389	0.42%	[illegible]52,140,752	17.85%
5,000,001 -	10,000,000	32	0.03%	284,159,165	5.95%
10,000,001 -	and above	31	0.03%	1,655,199,131	34.68%
Grand Total		93,653	100%	4,772,66[illegible],212	100%

FIXED ASSETS

Movements in fixed assets during the year are as shown in Note 1 on page 22. In the opinion of the Directors, the market value of the Company's properties is not lower than the value shown in the Financial Statements.

RESEARCH & DEVELOPMENT

The Company continues its efforts in research and development in its tyre business. The result of the Company's efforts is manifested in the introduction of local substitutes for some of the imported raw materials for production, and in the development of tyres.

Report of The Directors Cont'd

CHARITABLE GIFTS AND DONATIONS

Sundry gifts and donations made during the year ended 31st December 2006, amounted to ₦370,000

	₦
• Beko Ransome-Kuti Foundation	100,000
• 5th Anniversary of Asado of Ogba	250,000
• Donation to NUCFRL NPE	20,000
TOTAL	**370,000**

DISTRIBUTORS

The major distributors of the Company are as listed on page 35

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31st December, 2006 other than as stated in note 24 page 30 to 31

HUMAN CAPITAL

a) PHYSICALLY CHALLENGED PERSONS

The Company does not discriminate in considering applications for employment including those of physically challenged persons. All employees are given equal opportunities to develop their skills and experience and to qualify for promotion in furtherance of their careers.

There are 10 persons with varying degrees of physical challenges in the employment of the Company. The production processes in the Company involve the use of highly sophisticated machinery and corrosive chemicals. Therefore, the selection and placement of such persons are done carefully to enable them to contribute their best without being exposed to any form of danger and without constituting themselves as an undue hazard to other employees.

b) HEALTH, SAFETY AND WELFARE

The Company complies with all safety regulations and statutes. Additional regulations are also formulated with the cooperation of safety organisations to ensure the safety of employees within the premises of the Company. These regulations are strictly enforced, in furtherance of the Company's corporate objectives of providing an enabling environment for the comfort and convenience of employees.

The Company runs a Clinic within the factory premises to take care of any emergency which may arise in the course of employees' duties. In addition, the Company retains two Health Maintenance Organisations (H.M.Os) which ensure the highest standards of professionalism by their own tertiary care hospitals and a number of private hospitals to which cases requiring primary or secondary health care are referred for treatment and/or admission. The Company also maintains a standard Canteen where meals are provided at subsidised rates.

The Company encourages its employees to participate in its business and, currently, many employees are shareholders of the Company. The Company also contributes to a pension scheme to which all employees are members. The scheme is managed by D.N. Pensions Trust Limited, a private company whose membership is drawn from the membership of the scheme. D.N. Pensions Trust Limited manages the scheme in accordance with the provisions of the Pensions Reform Act 2004. In order to guarantee the continuous comfort and convenience of employees even after retirement, the Company runs a staff housing loan scheme to assist qualified employees to build or buy a house of their own, and it organises an annual retirement seminar for employees concerned, to sensitise them to the realities of life outside regular employment.

As part of the Company's anti HIV/AIDS campaign, an ongoing educational and awareness campaign is reinforced by the distribution of condoms and communication centered on the value of abstinence from casual coitus interaction, as the most effective preventive approach.

Report of The Directors Cont'd

c) MANPOWER DEVELOPMENT

In the year under review, several employees were sponsored for courses, study trips and conferences both in Nigeria and abroad. The Company, with the assistance of consultants, also organised several in-house training courses and workshops for various cadres of its personnel to develop their careers and to satisfy its peculiar needs.

Joint consultative meetings at which management engages in dialogue with representatives of all cadres of employees concerning the Company's operations are held quarterly. Views expressed at such fora are taken into consideration in policy formulation. In addition, the Company fosters a culture of participatory management and openness at all levels of its operations and staff.

AUDITORS

The Auditors, Messrs. Ernst & Young, have indicated their willingness to continue in office and a resolution will be proposed to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

OLUFEMI BABAYEMI (MRS)
COMPANY SECRETARY
OBA AKRAN AVENUE
IKEJA, LAGOS
NIGERIA

24th May, 2007

Corporate Governance Statement

A. THE BOARD

Dunlop Nigeria Plc is run by a Board of ten Directors. Four of the Directors are executive directors while others, including the Chairman, are non-executives. The non-executive Directors are accomplished individuals from varying backgrounds, each with a track record of personal devotion to standards of excellence and ethical conduct. None of them has any personal business dealings or other relationship with the Company which could impair the exercise of independent judgment.

The Board is responsible for overall direction, strategy, performance and management of the Group. Day-to-day management is vested in the Executive Directors headed by the Chief Executive Officer who has overall responsibility for implementing the policies of the Board.

The Board meets at least three times a year. Meetings of the Directors are scheduled a year in advance and the Agenda and reports of operations to be deliberated upon at each meeting are circulated not less than a week before the scheduled date of the meeting.

The Company Secretary reports to the Board at its meetings on, amongst other things, the state and quality of corporate governance in the Company.

B. FINANCIAL REPORTING & AUDIT

The Board has the ultimate responsibility for ensuring the integrity of the Company's financial reporting.

The Board is assisted by an Audit Committee and a firm of auditors which has no other business or other relationship with the Company and is, therefore, able to exercise the fullest independent judgment.

The Audit Committee (governed by a code issued by the Securities & Exchange Commission and additional guidelines issued by the Board of the Company) meets at least three times a year to review the state of internal controls and corporate governance.

The Audit Committee works together with an Internal Audit Function which is governed by an Internal Charter approved by the Board. The Internal Audit Charter gives sufficient autonomy to the Internal Audit function and strengthens it in its reporting role to the Audit Committee.

C. ETHICS AND COMPLIANCE

The Company is committed to corporate ethical conduct and observance of due process and ever mindful of all prescribed laws and regulations relevant to its operations. It maintains relevant financial and legal structures provided for by law.

A share holding policy applicable to Directors and Senior Managers and their dependants prohibits dealing in the shares in the Company, except within a window of six weeks after the publication of the Company's quarterly or annual Results and then, only with full prior disclosure.

D. RISK MANAGEMENT

There is also in place a Risk Management Committee which is governed by a Charter issued by the Board. It reviews the Company's operations to ensure that all risks to which the business is exposed are identified before hand and managed effectively. It reports to the Board. In addition, the Company maintains adequate insurance covers to protect against liability and asset loss.

The Risk Management Committee meets at least three times a year and operates through sub-committees that continually monitor and manage risks identified.

Report of the Auditors

TO THE MEMBERS OF DUNLOP NIGERIA PLC

We have audited the accompanying consolidated financial statements of Dunlop Nigeria Plc, which comprise the balance sheet as at December 31, 2006, the profit and loss account and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

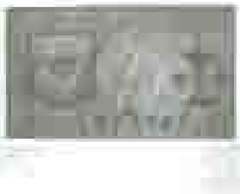
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Dunlop Nigeria Plc and its subsidiary as at December 31, 2006 and of its financial performance and cash flows for the year then ended in accordance with Companies and Allied Matters Act, CAP C20 LFN 2004 and relevant accounting standards issued by the Nigerian Accounting Standards Board.

Ernst & Young

Ernst & Young
(Chartered Accountants)
Lagos, Nigeria
May 24, 2007



Report of the Audit Committee

TO THE MEMBERS OF DUNLOP NIGERIA PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, we confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31st December, 2006, was adequate. We have reviewed the Auditor's findings and queries and are satisfied with the management's response thereto.

Dated this 8th day of June, 2007.

P.K. OKOH
Chairman

MEMBERS

Chief F. I. Ajayi

Mr. D. I. Adefahinti

Chief D. Oseka, KSM

Mr. M. Ahmed

Mr. S.O. Aremu

Statement of Significant Accounting Policies

as at December 31, 2006

i. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, modified by the revaluation of leasehold properties and plant & machinery.

ii. CONSOLIDATION

The group financial statements consolidate the financial statements of Dunlop Nigeria Plc and its subsidiary wherein there is majority shareholding and/or control of the Board of Directors and management. The consolidated subsidiary is Pamol (Nigeria) Limited.

iii. FIXED ASSETS

All costs, including interest relating to the construction, acquisition and refurbishment of fixed assets prior to their being brought into use are capitalized. Fixed assets are stated at cost or valuation after deducting depreciation. Depreciation of fixed assets is provided on a straight-line basis at such rates as will write-off the cost or valuation of the assets over their expected useful lives as follows:

Long or short term leasehold properties - 34 years or such shorter period as is appropriate to the unexpired terms of the respective leases

Plants and machinery	27 years
Fixtures and fittings	6 2/3 years
Light Vehicles	4 years
Heavy Vehicles	7 years
Rubber plantation expenditure	33 years
Plantation Plants and machinery	4 years
Estate plants and machinery	14 years

iv. STOCKS

Raw materials, work-in-progress, finished goods inventories, and engineering spare parts are stated at the lower of cost and net realisable value. Cost is determined on the basis of first-in first-out and for work-in-progress and finished goods represent materials, direct labour and an appropriate proportion of factory overheads.

v. DEFERRED TAXATION

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Statement of Significant Accounting Policies (Cont'd)

vi. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the rate of exchange ruling at the dates of the transactions. At the balance sheet date, all liabilities in foreign currencies are translated into Naira at the rates of exchange ruling on that date in accordance with Central Bank of Nigeria guidelines. Any exchange adjustments arising, are dealt with in the profit and loss account.

vii. RETIREMENT BENEFITS

Employers retirement benefits are charged to operations as incurred under the terms of the Trust Deeds of Dunlop Nigeria Plc Staff Pension Scheme and the Pension Reform Act, 2004. Any payments to be made for back service, improved benefits or actuarial deficiencies are similarly so charged.

viii. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is stated at the lower of cost and the Company's share of net tangible assets for unquoted investments and market value for quoted investments, the difference is written off to profit and loss account.

ix. DEBTORS

Debtors are stated after deduction of adequate provisions for any debts considered bad and doubtful.

x. BORROWING COSTS

Borrowing costs directly attributable to the construction/acquisition of qualifying capital expenditure are added to the cost of the assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed during the period in which they are incurred.

xi. LEASES

Lease transactions are treated in the account in accordance with the provisions of IAS 17.

xii. DEFERRED CHARGES

Deferred charges are to be amortised over a maximum period of five years beginning from the year such expenditure was incurred.

Balance Sheet

as at December 31

	Note	THE GROUP DEC 2006 ₦'000	THE GROUP DEC 2005 ₦'000	THE COMPANY DEC 2006 ₦'000	THE COMPANY DEC 2005 ₦'000
Fixed assets	1	15,272,163	13,000,436	12,[illegible]	10,996,684
Deferred charges	2	663,546	3,726	663,548	2,209
Trade investment		500	500	500	500
Investment in subsidiary		-	-	845,684	45,684
		[illegible]	13,004,662	[illegible]	11,045,077
CURRENT ASSETS					
Stocks	3	2,2[illegible]3,201	1,439,018	2,[illegible]	1,416,578
Trade debtors		[illegible]1,137	185,846	[illegible]	103,849
Sundry debtors & prepayments		360,582	174,919	[illegible],779	71,891
Inter company balances		-	-	-	472,852
Cash at bank and in hand		[illegible]	399,266	[illegible]	397,912
TOTAL CURRENT ASSETS		3,566,11[illegible]	2,199,049	2,811,[illegible]	2,466,082
Creditors due within one year	4	(8,405,742)	(5,461,070)	(6,2[illegible])	(4,852,246)
Taxation	5	(12,840)	(12,460)	7,009	7,009
Dividend payable	6	(7,996)	(2,596)	-	-
Net current Liabilities		(4,920,47[illegible])	(3,277,077)	([illegible],178)	(2,380,155)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,015,739	9,727,585	8,9[illegible],677	8,664,922
Deferred Taxation	7	([illegible],538)	(600,156)	[illegible]	(474,919)
Term loans	8	(2,288,515)	(4,254,654)	(1,5[illegible])	(4,254,654)
		[illegible],127,[illegible]	4,872,776	[illegible]	3,935,349
CAPITAL AND RESERVES					
Called-up share capital	9	378,000	378,000	378,000	378,000
Share premium		157,400	157,400	157,400	157,400
Capital Reserve	10	3,610,401	3,565,567	3,610,[illegible]	3,566,567
Deposit for Shares	11	3,587,500	-	3,587,500	-
General reserve		321,000	321,000	321,000	321,000
Profit and Loss	12	([illegible],557)	(14,784)	(1,1[illegible])	(486,618)
Shareholders' funds		7,379,[illegible]	4,407,183	6,9[illegible]	3,935,349
Minority interest	13	747,[illegible]	465,593	-	-
		[illegible],127,[illegible]	4,872,776	[illegible]	3,935,349

J. O. [illegible] - Chairman

M. J. [illegible] - Group Managing Director

See notes to the financial statements

Profit & Loss Account

For the year ended December 31

	Note	THE GROUP DEC 2006 N'000	THE GROUP DEC 2005 N'000	THE COMPANY DEC 2006 N'000	THE COMPANY DEC 2005 N'000
Turnover	14	5,084,957	5,150,388	5,064,81[illegible]	5,037,493
Cost of sales		(4,400,111)	(4,031,175)	(4,516,4[illegible])	(4,078,946)
Gross profit		[illegible]	1,119,213	[illegible]	958,547
Distribution expenses		(127,[illegible])	(120,430)	[illegible]	(98,824)
Administration and Marketing expenses		(919,88[illegible])	(912,500)	[illegible]	(793,420)
Other income		73,546	16,297	-	-
(Loss)/Profit before interest and tax		[illegible]	104,580	(270,45[illegible])	66,303
Interest receivable		41,[illegible]	12,017	41,[illegible]	12,017
Interest expenses and similar charges		(466,840)	(322,042)	[illegible]	(286,273)
Loss before taxation	15	(653,472)	(205,445)	[illegible]	(207,953)
Taxation	5a	5,598	(41,011)	[illegible]	3,344
Loss after taxation		(647,874)	(246,456)	[illegible]	(204,609)
Minority interest		(11,[illegible])	11,328	-	-
Loss attributable to members		[illegible]	(235,128)	(667,3[illegible])	(204,609)
Loss for the year		[illegible]	(235,128)	(667,358)	(204,609)
Loss per share (Naira) on ordinary activities	16	[illegible]	(0.33)	(0.88)	(0.27)
Market value of Company shares		[illegible]	2.79	4.1[illegible]	2.79

See notes to the financial statements

Statement of Cash Flows

For the year ended December 31

	Note	DEC 2006 ₦'000	DEC 2005 ₦'000	DEC 2006 ₦'000	DEC 2005 ₦'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		4,713,603	6,094,094	[illegible]	5,294,967
Payment to suppliers and employees		(3,403,982)	(4,526,432)	[illegible]	(4,024,260)
Income Tax Paid		(741)	(47,634)	-	(43,258)
Net cash provided by operating activities	17	[illegible]	1,520,028	[illegible]	1,227,449
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of equipment		35,386	17,321	[illegible]	457
Interest received		115,432	12,017	[illegible]	12,017
Investment in Subsidiary		-	-	[illegible]	-
Payment for purchase of fixed assets		(505,415)	(516,226)	[illegible]	(238,100)
Purchase of fixed assets (ASHT)		(1,927,475)	(2,198,724)	(1,927,475)	(2,198,724)
Net cash provided by investing activities		[illegible]	(2,685,612)	[illegible]	(2,424,350)
CASH FLOWS FROM FINANCING ACTIVITIES					
Deposit for Shares		[illegible]	-	[illegible]	-
Interest paid		[illegible]	(322,042)	[illegible]	(286,273)
Dividend paid		-	(2,149)	-	-
Term loan repaid		[illegible]	1,409,288	[illegible]	1,409,286
Net cash provided by financing activities		1,714,721	1,085,097	[illegible]	1,123,013
Net increase/(decrease) in cash		151,529	(80,487)	[illegible]	(73,888)
Cash at the beginning of the financial year		399,266	479,753	397,912	471,800
Cash and cash equivalent at the end of the financial year	17	550,795	399,266	[illegible]	397,912

Notes to the Financial Statements

THE GROUP

13 FIXED ASSETS

	Assets in Progress	Plantation	Freehold Properties	LEASEHOLD PROPERTIES Unexpired Term exceeding 50yrs	Unexpired Term less than 50yrs	Equipment, Plant Machinery & Moulds	Fixtures & Fittings	Vehicles	Total
	₦	₦	₦	₦	₦	₦	₦	₦	₦
Cost/Valuation At 1st of January 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Additions	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disposals	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Revaluation	-	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]
At 31st of December 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation At 1st of January 2006	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charge for the year	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disposals	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Revaluation	-	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]
At 31st of December 2006		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 31st of December 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 31st December 2005	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The [illegible] landed property was valued [illegible] by Messrs [illegible] as at November [illegible], 2006. [illegible]

THE COMPANY

13	Assets in Progress	Unexpired Term exceeding 50yrs	Unexpired term less than 50yrs	Equipment, Plant Machinery & Moulds	Fixtures & Fittings	Vehicles	Total
	₦	₦	₦	₦	₦	₦	₦
Cost/Valuation At 1st of January 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Additions	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disposals	-	-	-	-	[illegible]	[illegible]	[illegible]
Reclassification	-	-	-	[illegible]	[illegible]	[illegible]	-
Revaluation	-	-	-	[illegible]			[illegible]
At 31st December 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation At 1st of January 2006	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charge for the year	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	-	-	-	[illegible]			[illegible]
Disposals	-	-	-		[illegible]	[illegible]	[illegible]
Reclassification	-	-	-	[illegible]	[illegible]	[illegible]	
At 31st December 2006		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 31st December 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 31st December 2005	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes to the Financial Statements (Cont'd)

2 DEFERRED CHARGES

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Balance brought forward	3,726	10,837	2,209	4,938
Additions	663,416	-	663,416	-
Amortisation during the year	(3,594)	(7,111)	(2,077)	(2,729)
Balance at 31st December	663,548	3,726	663,548	2,209

Included in deferred charges is an amount of ₦590m incurred in respect of rights/public issue of shares. The offer was still open at the balance sheet date. The amount will be written-off to the share premium upon the conclusion of the Allotment.

3 STOCKS

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Stock-in-transit	620,203	107,124	620,203	107,124
Raw materials	616,716	704,977	618,718	693,438
Work-in-progress	247,832	137,808	161,600	117,540
Finished goods	237,478	29,954	246,011	41,113
Nursery seedlings	4,787	-	-	-
Engineering spares, Stationery etc.	554,267	459,362	522,829	459,363
	2,283,201	1,439,018	2,189,659	1,418,578

4 CREDITORS
(Due within one year)

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Trade	709,882	671,530	688,084	650,499
Accruals and others	1,000,871	804,837	829,718	476,222
Term loans	2,320,994	189,920	2,320,994	183,182
Bank overdraft	3,492,074	2,908,145	3,273,259	2,774,828
Bills payable	932,921	848,484	832,421	767,515
Lease obligation	-	36,154	-	-
Inter-company balance	-	-	339,021	-
	8,455,742	5,461,070	8,283,497	4,852,246

Notes to the Financial Statements (Cont'd)

5 TAXATION

(i) Balance Sheet

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Balance B/F	12,460	59,346	(7,009)	36,249
Payment during the year	(741)	(47,634)	-	(43,258)
Provision for the year	1,130	748	-	-
Balance C/F	12,849	12,460	(7,009)	(7,009)

TAXATION

(ii) Profit and Loss Account

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Education Tax	1,130	748	-	-
Deferred Tax	(6,728)	40,263	(29,065)	(3,344)
	(5,598)	41,011	(29,065)	(3,344)

6 DIVIDEND PAYABLE

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Balance at beginning of the year	2,596	4,745	-	-
Proposed Dividend	5,400	-	-	-
	-	-	-	-
Payment during the year	-	(2,149)	-	-
	7,996	2,596	-	-

7 DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
At January 1, 2006	600,155	83,595	474,919	83,595
(Write back)/charge for the year	(5,598)	40,263	(29,065)	(3,344)
Capital gain on revaluation surplus	4,981	476,297	4,981	394,668
	599,538	600,155	450,835	474,919

Notes to the Financial Statements (Cont'd)

8. TERM LOANS:

TERM LOANS							
LENDER	TOTAL FACILITY	REPAYMENT TERMS	DETAILS OF SECURITY	THE GROUP		THE COMPANY	
				2005	2005	2006	2005
				₦'000	₦'000	₦'000	₦'000
STERLING BANK PLC	(a) Agric Loan ₦200M	Six years term loan with a moratorium period of eighteen Months to be repaid in eighteen quarterly instalments of ₦11,111,111.11m effective from the eighteenth month of granting the loan	Negative Pledge	200,000	-	[illegible]	-
	(b) ₦200M	Repayment in thirty-six equal monthly instalments of ₦5,555,555.56 commencing March 2002.	- do -	[illegible]	-	[illegible]	-
FIRST BANK OF NIG PLC	₦150M	Agric. Loan, repayable in three years at the rate of ₦4.167m per month drawn down to ₦87m. Balance now rescheduled to be paid in twelve equal monthly instalments of ₦8.365m, commencing February 2005 and ending in January 2006.	- do -	-	8,750	-	[illegible]
AFRIBANK	Agric Loan ₦600M	Repayable in equal quarterly instalments within 7 years inclusive of two years moratorium.	- do -	[illegible]	-	-	-
BANK OF INDUSTRY	₦1.5B	Twelve equal and consecutive quarterly instalments of ₦83,333,333.33, commencing immediately the six months moratorium ends.	Negative Pledge; Buy back agreement for [illegible] of inventories by way of trust receipt	[illegible]	-	[illegible]	-
INTERCONTINENTAL BANK	₦2.40M	The bulk amount to be repaid once not later than April 2008	Negative Pledge	211,[illegible]	-	[illegible]	-
IBTC-CHARTERED BANK	₦200M Agric Loan	₦200m twenty quarterly instalments of ₦10m each commencing from February 2001	- do -	-	40,000	-	40,000
	₦500M Agric Loan	Repayment to be in sixteen equal quarterly instalments of ₦31.25m commencing from July 2005	- do -	[illegible]	406,250	[illegible]	406,250
UBA PLC	₦200M Agric Loan	Repayment to be in twenty-two equal quarterly instalments of ₦[illegible] commencing from January 2001	- do -	-	18,182	-	18,182
ASSET CONSORTIUM led by FBN PLC	₦2.973 bn	Repayment over five years including twenty four months moratorium on the principal only commencing in November 2005	- do -	[illegible]	2,973,404	[illegible]	2,973,404
[illegible] BANK	₦1.00 bn	Repayment over four years including twelve months moratorium on the principal only commencing in October 2005	- do -	[illegible]	1,000,500	[illegible]	1,000,000
		Total Term loans		[illegible]	4,444,574	[illegible]	4,437,836
		Less amount due within 12 months		[illegible]	(189,920)	[illegible]	(185,182)
		Due after one year		[illegible]	4,254,654	[illegible]	4,251,[illegible]

Notes to the Financial Statements (Cont'd)

9. SHARE CAPITAL

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Authorised share capital 3,016,480,000 (2005:800,000,000) ordinary shares of 50k each	1,508,240	400,000	1,508,240	400,000
Issued and fully paid :- 756,000,000 ordinary shares of 50k each	378,000	378,000	378,000	378,000

10. CAPITAL RESERVE

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Balance brought forward	3,565,567	13,557	3,565,567	13,557
Revaluation surplus for the year	49,815	3,946,678	49,815	3,946,678
Deferred tax on revaluation	(4,981)	(394,668)	(4,981)	(394,668)
Balance c/f	3,610,401	3,565,567	3,610,401	3,565,567

11. DEPOSIT FOR SHARES

This represents proceeds from the Rights issue/Public offer of shares which was still open for subscription as at 31st December, 2006.

12. Profit and Loss

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Balance brought forward	(14,784)	220,344	(486,618)	(282,009)
Loss for the year	(659,773)	(235,128)	(667,356)	(204,609)
Balance carried forward	(674,557)	(14,784)	(1,153,974)	(486,618)

13. MINORITY INTEREST

This represents the interest of minority shareholders in the capital and reserves of the subsidiary company Pamol (Nigeria) Ltd. The Company owns 60% in Pamol (Nigeria) Limited.

14. TURNOVER

Turnover represents invoice value of sales to third parties less rebates and includes exports sales, for the group ₦20,142,000 (2005 ₦30,123,000.00) and for the company NIL (2005 Nil).

(a) Turnover and loss before taxation are analysed as follows :-

TURNOVER

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Tyres	4,409,606	4,604,767	5,064,815	5,037,493
Natural Rubber	675,351	545,621	-	-
	5,084,957	5,150,388	5,064,815	5,037,493

(b)

PROFIT/(LOSS) BEFORE TAX

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Tyres	(696,421)	(207,953)	(696,421)	(207,953)
Natural Rubber	42,948	2,508	-	-
	(653,473)	(205,445)	(696,421)	(207,953)

15. LOSS BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
This is stated after charging:				
Depreciation	289,059	178,413	261,934	158,515
Interest on bank loan and overdrafts	406,841	322,042	367,856	286,273
Interest receivable	(41,886)	(12,017)	(41,886)	(12,017)
Auditor's remuneration	10,000	7,250	6,500	5,000
Directors' emoluments	24,485	17,577	21,435	13,362

Notes to the Financial Statements (Cont'd)

16. LOSS PER SHARE

Loss per share is based on loss before tax and on issued and fully paid capital as at December 31, 2006

17. RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Loss after Tax	(659,773)	(235,128)	(667,356)	(204,609)
Adjustment to reconcile net loss to net cash provided:				
Depreciation	289,059	178,413	261,934	158,515
Interest receivable	(115,432)	(12,017)	(41,888)	(12,017)
Interest expenses and similar charges	406,640	322,042	367,866	285,273
Changes in assets and liabilities:				
Increase in inventories	(844,183)	(442,347)	(771,381)	(477,242)
Decrease (Increase) in Debtors and Prepayments	(371,354)	492,682	198,317	257,475
Increase in creditors	3,004,872	1,228,401	3,431,251	1,263,252
Increase in Deferred Charges	(650,822)	7,111	(681,339)	2,729
Decrease/(Increase) in income tax payable	380	(3,279)	-	(43,258)
Profit on sales of fixed assets	(25,143)	(4,003)	(279)	(325)
Inc./(Decrease) in intercompany	278,043	(17,609)	-	-
Assets written off	-	4,770	-	-
Increase in dividend payable	5,400	-	-	-
Adjustment for deferred tax provision	(617)	992	(29,065)	(3,344)
	1,368,853	1,755,156	[illegible]	1,432,059
Net Cash provided by operating activities	1,368,850	1,520,028	2,686,052	1,227,449

RECONCILIATION OF CASH AND CASH EQUIVALENT

	THE GROUP		THE COMPANY	
	2006 ₦'000	2005 ₦'000	2006 ₦'000	2005 ₦'000
Cash in hand	2,580	1,259	2,580	1,050
Cash at bank	103,431	119,833	73,755	118,688
Fixed deposit	444,784	278,174	194,741	278,174
	550,795	399,266	271,076	397,912

Notes to the Financial Statements (Cont'd)

18. PARTICULARS OF STAFF

The average number of persons employed by the company in the financial year including directors was as follows

	THE COMPANY	
	2006	2005
Corporate	92	93
Marketing	83	87
Manufacturing	959	1,000
	1,134	1,180

19. EMPLOYEES' EMOLUMENTS

	2006 ₦'000	2005 ₦'000
a. Aggregate payroll costs: (wages, salaries, pension contribution and allowances)	875,321	812,681
b. Employees remunerated at higher rates: Employees whose emoluments were within the following ranges in the year were:	Number	Number
Above ₦100,000	1,134	1,180

20. DIRECTORS' EMOLUMENTS

	2006 ₦'000	2005 ₦'000
a. Fees:		
Chairman	125	125
Directors	305	305
b. Other emoluments	21,005	12,932
	21,435	13,362
c. (Directors excluding the Chairman whose gross emoluments were above ₦100,000	5	5
d. Highest Paid Director	5,175	4,134

SUPERSTEEL AT 2010

21. FINANCIAL COMMITMENTS

	2006	2005
	₦'000	₦'000
Outstanding capital expenditure approved by Directors for the year ended 31st December are as follows:		
Contracted out	8,160,631	6,542,579
Not contracted out	203,164	125,434
	8,363,795	6,668,013

22. CONTINGENT LIABILITIES

The Company guaranteed loans for members of its Staff and other purposes as follows:

a. Car loans ₦46,971,707 (2005: ₦55,073,270)
b. Housing loans ₦3,305,322 (2005: ₦5,310,173)
c. Guaranteed facility for Logistic Providers ₦257,046,870 (2005 : ₦297,193,909)
d. Unconfirmed Letters of Credit ₦201,759,993 (2005 : NIL)

23. COMMITMENT TO PENSIONS FUND

The Company operates a self-administered provident fund scheme for the staff. The benefit under the plan is generally related to an employee's length of service and remuneration. The provident scheme is a defined contribution scheme.

The assets of the scheme are managed by Trustees of D.N. Pensions Trust Limited. The National Pension Commission has however granted the Company approval to continue with its existing contributory pension scheme in line with the provisions of the Pension Reform Act, 2004.

Charges against the profit for the year in respect of contribution to the Company's provident/pension funds for staff amounted to ₦67,146,651 (2005: ₦75,205,343)

The latest actuarial valuation as at December 31, 2004 was carried out by Alexander Forbes. The valuation disclosed a surplus of ₦151.5 million as at the date of valuation. The surplus has been left unappropriated until the next valuation.

24. POST BALANCE SHEET EVENTS

On November 29, 2006, the Company offered for sale by way of rights issue and public offer, 2,260,480,000 ordinary shares of 50k each at ₦2.30 and ₦2.50 respectively. The offer which was expected to realize ₦5.5billion was oversubscribed by 78% as ₦9.8billion was realized when the offer closed on January 12, 2007.

Consequently, an Extraordinary General Meeting of the Company was held on April 5, 2007 to increase the authorized share capital from ₦1,508,240,500 to ₦2,100,000,000 to absorb the amount oversubscribed. Part of the proceeds have been utilized in liquidating some of the Company's long term obligations as well as augmenting its working capital requirements.

The impact of the issue on the Company's operation will be a drastic reduction in interest payable to the providers of capital and improved cash flow. This coupled with the commencement of commercial production and sale of truck radial tyres from the ASRT Plant in January 2007 is expected to return the Company to profitability.

25 TRANSACTIONS WITH RELATED COMPANIES

The Company sources certain raw materials, engineering spares and fixed assets from companies related to it, Dunlop Africa Marketing (DAM-UK), and Pamol (Nigeria) Limited, its subsidiary. It also obtained technical assistance from its overseas technical Partner and pays royalties for the use of its brand name.

	2006	2005
	₦'000	₦'000
Technical Aids Fees	133,734	135,518
Royalties	57,746	57,202
Total	191,480	192,720

26. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the Financial Statements at a meeting held on 24th May 2007.

Statement of Value Added

For the year ended December 31

	THE GROUP				THE COMPANY			
	2006 ₦'000	%	2005 ₦'000	%	2006 ₦'000	%	2005 ₦'000	%
Sales to third parties	5,084,957		5,150,388		5,064,815		5,037,493	
Payable to suppliers of materials and services:								
-Local	(1,374,808)		(1,321,097)		(1,489,644)		(1,395,792)	
-Imported	(2,553,216)		(2,453,463)		([illegible]766,482)		(2,592,185)	
Value added	1,156,9[illegible]	100	1,375,828	100	[illegible]	100	1,049,516	100
Applied as follows:								
Employees	1,113,576	96	1,080,818	79	875,321	108	812,681	77
Government	1,130	-	748	-	-	-	-	-
External Provider of Capital - as Interest	406,640	35	322,042	23	367,855	45	286,273	27
Minority interest - as Appropriation	11,899	1	(11,328)	(1)	-	-	-	-
Retained for the company's future asset replacement	[illegible]	25	178,413	13	[illegible]	33	158,515	15
Deferred tax	(5,598)	-	40,263	3	(29,065)	(3)	(3,344)	-
Loss for the year	([illegible])	(57)	(735,128)	(17)	(667[illegible])	[illegible]	(204,609)	(19)
	[illegible]	100	1,375,828	100	[illegible]	[illegible]	1,049,516	100

Value added represents the wealth, which the Company has been able to create by its own, and its employee's effort. The statement shows the allocation of that wealth between employees, shareholders, government, and that retained for the future creation of wealth.

Company Five - Year Financial Summary

Years ended December 31

	2006 ₦'000	2005 ₦'000	2004 ₦'000	2003 ₦'000	2002 ₦'000
TURNOVER	[illegible]	5,037,493	5,038,312	4,153,177	4,669,661
(Loss)/Profit before Extra Ordinary items and taxation	(690,421)	(207,953)	(407,551)	(750,135)	51,094
Extra Ordinary items (Net)	-	-	-	474,034	82,344
(Loss)/Profit after Extra Ordinary items but before taxation	[illegible]	(207,953)	(407,551)	(276,101)	133,438
Taxation	[illegible]	3,344	91,524	(20,802)	(12,559)
(Loss)/Profit after taxation & Extra Ordinary items	(667,356)	(204,609)	(316,027)	(296,903)	120,879
APPROPRIATION					
(Loss)/Profit for the year	(667,356)	(204,609)	(316,027)	(296,903)	120,879
	[illegible]	(204,609)	(316,027)	(296,903)	120,879
ASSETS EMPLOYED:					
Fixed assets	[illegible]	10,996,684	4,771,829	2,848,225	1,238,221
Deferred charges	[illegible]	2,209	4,938	43,352	44,381
Long-term investments	500	500	500	500	500
Investment in subsidiaries	645,684	45,684	45,684	45,684	174,795
Term loans	(1,588,515)	(4,254,654)	(2,843,686)	(1,675,636)	(818,764)
Deferred Taxation	(450,835)	(474,919)	(83,595)	(178,495)	(202,680)
Net current (liabilities)/assets	[illegible]	(2,390,155)	(1,307,722)	(179,655)	766,425
Net assets employed	[illegible]	3,935,349	587,948	903,975	1,200,878
FINANCED BY:					
Issued share capital	378,000	378,000	378,000	302,400	302,400
Deposit for shares	1,587,500	-	-	-	-
Net reserves	[illegible]	3,557,349	209,948	601,575	898,478
Shareholders' funds	[illegible]	3,935,349	587,948	903,975	1,200,878
(Loss) Earnings per share (Naira)	[illegible]	(0.27)	(0.42)	(0.49)	0.20
Adjusted (Loss)/Earnings per Share in Naira	[illegible]	(0.27)	(0.42)	(0.39)	0.16
Return on Net Asset Employed (%)	[illegible]	(5.20)	(53.75)	(32.84)	10.07

NOTE: (Loss)/Earnings and net assets per share, have been adjusted for increases in issued share capital.

Group Five - Year Financial Summary

Years ended December 31

	2006 ₦'000	2005 ₦'000	2004 ₦'000	2003 ₦'000	2002 ₦'000
TURNOVER	5,084,957	5,150,388	5,217,774	4,994,847	6,385,274
(Loss)/Profit before Extra Ordinary items and taxation	(653,472)	(205,445)	(485,415)	(750,135)	51,094
Extra Ordinary items (Net)	-	-	107,294	474,034	82,344
(Loss)/Profit after Extra Ordinary items but before taxation	(653,472)	(205,445)	(378,121)	(276,101)	133,438
Taxation	5,598	(41,011)	88,903	(30,984)	(49,628)
(Loss)/Profit after taxation & Extra Ordinary items	(647,874)	(246,456)	(289,218)	(307,085)	83,810
APPROPRIATION					
Minority Interest	11,899	(11,328)	20,301	23,062	28,088
(Loss)/Profit	(659,773)	(235,128)	(202,224)	(233,709)	68,491
	(647,874)	(246,456)	(181,923)	(210,647)	96,579
ASSETS EMPLOYED					
Fixed assets	15,277,163	13,000,436	5,721,934	4,284,016	2,412,530
Deferred charges	663,548	3,726	10,837	57,624	70,944
Long- term investments	500	500	500	500	500
Net current assets	(4,920,472)	(3,277,077)	(1,531,930)	(870,248)	380,054
Term loans	(2,288,515)	(4,254,654)	(2,843,686)	(1,675,636)	(831,858)
Deferred Taxation	(599,538)	(600,155)	(83,595)	(237,506)	(261,691)
Net assets employed	8,127,686	4,872,776	1,274,060	1,558,750	1,770,479
FINANCED BY					
Issued share capital	378,000	378,000	378,000	302,400	302,400
Deposit for shares	3,587,500	-	-	-	-
Net reserves	3,414,244	4,029,183	712,300	990,125	1,223,835
Minority interest	747,942	465,593	183,760	266,225	244,244
Shareholders' funds	8,127,686	4,872,776	1,274,060	1,558,750	1,770,479
Earnings per share (Naira)	(0.88)	(0.33)	(0.24)	(0.35)	0.16
Adjusted (Loss)/Earnings per Share in Naira	(0.86)	(0.33)	(0.24)	(0.28)	0.13
Return on Net Asset Employed (%)	(7.97)	(5.06)	(14.28)	(13.51)	5.48

NOTE: (Loss)/ Earnings and net assets per share, have been adjusted for increases in issued share capital.