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Benue Cement Company Plc

RC 15545

- 2007 -

Annual Report & Accounts

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NOTICE OF 28TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of Benue Cement Company Plc will be held at KWARA HOTEL, ILORIN, on Tuesday, 8th April, 2008 at 11.00 a.m. for the transaction of the following business:

ORDINARY BUSINESS

1. To receive and consider the accounts for the year ended 31st December, 2007 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

7. To consider and if thought fit, to pass the following resolutions as:

A. ORDINARY RESOLUTION

- 7.1 That pursuant to article 49 of the Articles of Association of the Company, the authorised share capital be and is hereby increased from ₦1,500,000,000 to ₦2,500,000,000 by the creation of additional 2,000,000,000 ordinary shares of 50k each ranking *pari passu* in all respects with the existing shares of the Company.

B. SPECIAL RESOLUTIONS

- 7.2 "That consequent upon passing the resolution to increase the share capital to ₦2,500,000,000 the Memorandum of Association of the Company be and is hereby amended by:
 - (1) Deleting clause 6 and substituting in lieu of it the following: "that the share capital of the Company is ₦2,500,000,000 divided into 5,000,000,000 ordinary shares of 50k each".
 - (2) Adding the following as the last clause to "Rider A" of the said Memorandum of Association.
 - (a) By the Ordinary Resolution passed at the 28th Annual General Meeting of the Company held in Ilorin on Tuesday, 8th day of April 2008 the Authorised Share Capital of the Company was further increased to ₦2,500,000,000.
 - (b) Numbering the clauses under "Rider A" I – X respectively.
 - (3) That the Articles of Association of the Company be and are hereby altered by deleting Article 5 and substituting the following Article as Article 5: "That Share Capital of the Company is two billion and five hundred million Naira (₦2,500,000,000) only divided into five billion (5,000,000,000) ordinary shares of fifty kobo (50k) each".

BONUS ISSUE

"That the Directors having recommended that it is desirable to capitalize the sum of ₦174,023,437.50 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, 21st March 2008, to be distributed in the form of 348,046,875 ordinary shares of 50 kobo each to 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 348,046,875 new ordinary shares of 50 kobo each so distributed to rank *pari passu* with the existing issued shares of the Company. The new shares so distributed being treated for all purposes as capital and not income and Directors shall give effect to this resolution on receipt of necessary permission from the authorities".

Dated this 13th day of March, 2008

BY ORDER OF THE BOARD

ITYOYILA UKPI, ESQ.

Company Secretary/Legal Adviser

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 Registrars 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, CAP C20 LFN 2004, 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

Notice is hereby given that, the Register of Members and Transfer Books will be closed from Tuesday, 25th March to Monday, 7th April 2008, 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.

BANKERS

Intercontinental Bank
Zenith Bank Plc
Access Bank Plc
GTBank Plc
Oceanic Bank International Plc
IBTC Chartered Bank Plc

AUDITORS

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

REGISTRARS

Afribank Registrars Limited,
2A Gbagada Expressway, Anthony Village
P.M.B. 12974
Lagos, Nigeria.



■ FINANCIAL HIGHLIGHTS

	2007 N'000	2006 N'000
Turnover	<u>5,473,439</u>	<u>6,029,209</u>
Profit before taxation and exceptional items	1,870,302	1,779,946
Exceptional items	—	2,080,700
Taxation	<u>(618,072)</u>	<u>(755,581)</u>
Profit after taxation and exceptional items	<u>1,252,230</u>	<u>3,105,065</u>
Shareholders' funds	<u>9,607,128</u>	<u>8,354,898</u>
Basic earnings per share (k)	<u>45k</u>	<u>125k</u>



■ CHAIRMAN'S STATEMENT

Fellow shareholders, my colleagues on the Board of Directors, gentlemen and ladies of the press, distinguished ladies and gentlemen. It gives me immense pleasure to welcome you all to the 28th Annual General Meeting of our Company, venue of this year's meeting.

It is also my pleasure to have the opportunity again to present to you the highlights of the Company's performance for the year ended 31st December, 2007 and to also report on the challenges facing your Company and its prospects.

BUSINESS ENVIRONMENT

The business environment in 2007 remained largely unfavourable to the manufacturing sector of the economy, despite very high expectations of positive impact anticipated to result from the economic reform programmes of the Government.

The cement industry was particularly concerned on its investment programme and commitment, with negative moves in Government policy on the banning of cement imports. In addition to these lingering concerns, the situation was further compounded by the deteriorating supply and quality of electric power and acute scarcity of Low Pour Fuel Oil (LPFO) in the year under review, with very significant impact on production volumes and of production costs and invariably on profitability. The Company was shutdown for 89 days as a result of the lack of black oil (LPFO).

In preparation of early start up, line 1 was shutdown for upgrade in the beginning of November 2007 and is expected to be back on stream May/June 2008. Line 2 was commissioned in end of January 2008 following its upgrade. When the two kiln lines are totally upgraded we will be able to reach a capacity of 3 million metric tonnes during year 2008.

The planned Kaduna Refinery's return to production gives hope for improved supply of LPFO, combined with significant investments on site to increase storage. These should boost local capacity utilization, bridge the local supply gap significantly and improve profitability.

The Company is determined to be a front-runner in the industry and optimistic that Government policies will be fashioned in a manner that would considerably minimize the cost and other constraints of doing business in Nigeria.

RESULTS FOR THE YEAR

The results for the year show a turnover of ₦5.473 billion, down from ₦6.029 billion in year 2006 representing a decrease of ₦0.556 billion or 10% because of fuel shortage. Cost of sales however decreased to ₦2.711 billion in 2007 from ₦3.070 billion in 2006, mainly as a result of the decrease in volume of production.

Gross profit also dipped marginally from ₦2.958 billion in 2006 to ₦2.762 billion in 2007. Operating expenses increased from ₦1.042 billion in 2006 to ₦1.111 billion in 2007, an increase of 7% or ₦0.07 billion in absolute terms. The increase in operating expenses is attributable to increases in administrative expenses.

Interest payable and similar charges decreased significantly to ₦53.09 million from ₦138.3 million in the previous 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.

BOARD CHANGES

The Company's Board witnessed two changes since the last Annual General Meeting. Alhaji Tajudeen A. Sijuade resigned from the Board as Managing Director/CEO in August, 2007 and was replaced by Mr. Gasper G. Fenelon as the new Managing Director/CEO. Mr. Tony Hadley also joined the Board early February, 2008 as a representative of Dangote Industries Limited.



■ CHAIRMAN'S STATEMENT

Continued

SOCIAL RESPONSIBILITY

The Company as a responsible corporate citizen has continued to demonstrate strong commitment in discharging its social responsibility obligations to the host community.

In the year under review, the Company paid full and final compensation to relocate the families living within the immediate vicinity of the Company's quarry area. We continue also to forge ahead with our economic empowerment programmes launched under the Environmental Empowerment Programmes, aimed at improving our operational environment by facilitating harmonious co-existence and economically empowering the youth.

We are constantly exploring new ways to better serve our host community, towards which end, your Company has decided to focus on the area of health, infrastructure and education by undertaking a wide range of activities which will improve the lives of the people.

Our commitment to the establishment of the planned range of activities is not in doubt and will be reviewed from time to time as appropriate, and we appeal to our stakeholders in the community to join ranks with the Company to the benefit of us all.

WORKFORCE

We maintain and will always emphasize that our workforce is and remains our most valuable asset and this strong belief has been justified in the quality of work turned out by the Company's staff when faced with the tough operational challenges the Company is experiencing. The Board of Directors acknowledge with deep appreciation the commitment, loyalty and hardwork of the Company's staff.

The Company will renew its commitment to the personal and professional development of its workforce and their work environment. Appropriate staff training will be vigorously pursued aimed at ensuring improved professional and leadership abilities for sustained future growth and higher performance levels in their various functional areas.

Staff welfare, safety, health and healthy work environment of all employees and contractors is a matter of great importance to the Company. Proper monitoring and implementation of programmes designed to ensure effectiveness in these areas will be a priority.

FUTURE OUTLOOK

The enormous challenges experienced in the year under review are not in doubt, but we are optimistic that the reform programmes of Government will significantly improve the business environment in the economy. This, together with our improved industrial performance, new capacities and administrative efficiencies, set the stage for long-term sustainable and profitable growth.

In conclusion, I want to congratulate the members of the Board, Management and Staff of the Company for a job well done, and to most heartily appreciate you, our customers and distinguished shareholders for the support we have continued to receive from you. Together and with abiding faith our future remains very bright.

Thank you for listening and God bless.

ALHAJI ALIKO DANGOTE, CON

Chairman, Board of Directors



■ DIRECTORS' REPORT

The Directors of Benue Cement Company Plc have the pleasure in submitting to you the members their annual report together with the financial statements of the Company for the year ended 31st December, 2007.

1. DIRECTORS' RESPONSIBILITIES

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act, CAP C20 LFN 2004, 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.

The Directors' responsibilities include ensuring that:

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

2. PRINCIPAL ACTIVITIES

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

3. RESULTS FOR THE YEAR

	2007 N'000	2006 N'000
Profit before taxation	1,870,302	1,779,946
Extraordinary items	—	2,080,700
Taxation	(618,072)	(755,581)
Profit for the financial year after taxation	<u>1,252,230</u>	<u>3,105,065</u>

4. BONUS ISSUE

The Directors having recommended that it is desirable to capitalize the sum of N174,023,437.50 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, 21st March, 2008 in 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 348,046,875 new ordinary shares of 50 kobo each so distributed to rank *pari passu* with the existing issued shares of the Company. The new shares so distributed being treated for all purposes as capital and not income.



DIRECTORS' REPORT

Continued

5. BOARD OF DIRECTORS

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

Alhaji Aliko Dangote	—	<i>Chairman</i>
* Mr. George Gasper Fenelon	—	<i>MD/CE</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>

* Mr. George Gasper Fenelon was appointed with effect from 1st August, 2007 while Alhaji T. A. Sijuade resigned from the Board same date.

6. DIRECTORS' SHAREHOLDING AND DIRECTORS' INTERESTS

In accordance with section 275 of the provisions of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Company's Directors direct and indirect interests in the issued share capital of the Company as recorded in the Register of Members as at 31st December, 2007 are as follows:

Names	No. of Shares
Alhaji Aliko Dangote	225,128,624
Mr. George G. Fenelon	—
Mr. Olakunle Alake	4,987,500
Mr. D.V.G. Edwin	—
Mr. Olusegun Olusanya	21,093
Col. Basil Kwembeh (Rtd)	—
Chief David Attah	—
Senator John Wash Pam	—
Chief E. K. Ashiekaa	21,093

No Director has notified the Company of any declarable interest in any contracts with which the Company was involved in accordance with the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004.



■ DIRECTORS' REPORT

Continued

7. SUBSTANTIAL INTEREST IN SHARES

Name	Address	Holdings	Per Cent %
Aliko Dangote	1, Alfred Rewane Road, Ikoyi, Lagos	225,128,624	8.08
Dangote Industries Ltd.	P.O. Box 74608, Lagos	1,836,695,881	65.96
		<u>2,061,824,505</u>	

8. ANALYSIS OF SHAREHOLDINGS

Range	No. of Shareholders	Per Cent (%)	Units	Per Cent (%)
1 — 199	5,494	12.85	865,100	0.03
200 — 999	20,199	47.23	10,797,911	0.39
1,000 — 7,999	12,852	30.05	34,527,065	1.24
8,000 — 10,000	712	1.66	6,386,100	0.23
10,001 — 50,000	2,542	5.94	53,148,287	1.91
50,001 — 100,000	427	1.00	29,478,076	1.06
100,001 — 9,999,999,999	545	1.27	2,649,172,461	95.14
	<u>42,771</u>	<u>100.00</u>	<u>2,784,375,000</u>	<u>100.00</u>

9. EMPLOYMENT AND EMPLOYEES

(i) Employment Policies

The Company policies are tailored to reflect the considerable value placed on the involvement of its employees and also towards producing good relations with all its employees. It also recognizes and accepts its obligation to employ disabled people within their aptitude and abilities and are given equal opportunities for development and furtherance of their careers.

(ii) Employment Involvement

The Company continues to remain committed towards keeping employees fully informed of the various factors affecting the performance of the Company and on matters which particularly affect them. This is achieved through a range of programmes including Management briefings, bulletins and joint consultative committees.

Incentive schemes designed to meet the circumstances of each individuals are implemented wherever appropriate.

10. 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. It also has continued to procure, distribute and enforce the use of high quality personal safety wears by all personnel who work in risk and hazard areas.





BDO Oyediran Faleye Oke & Co
Chartered Accountants

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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 INDEPENDENT AUDITORS TO THE MEMBERS OF BENUE CEMENT COMPANY PLC

We have audited the accompanying financial statements of Benue Cement Company Plc for the financial year ended 31 December 2007, which comprise a summary of significant accounting policies, the profit and loss account, balance sheet, cashflow statement for the year then ended and explanatory notes.

Directors' Responsibility for the Financial Statements

2. The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nigerian Statements of Accounting Standards and with the requirements of the Companies and Allied Matters Act, 1990. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

3. Our responsibility is to express an independent opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the 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 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's financial position as at 31 December 2007 in accordance with Nigerian Statements of Accounting Standards and the Companies and Allied Matters Act, 1990.

Report on Other Legal Requirements

5. The Companies and Allied Matters Act 1990 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company; and
- (iii) the Company's balance sheet and profit and loss account are in agreement with the books of account.

Makurdi, Nigeria
14 March 2008

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

Partners: M. Adegbola Adigun, Sanni A. Dosunmu, E. Olaseinde Otabis
Olugbenga A. Akbayo, Kamar Salami
Nigerian Offices: Abuja, Ibadan, Makurdi, Port-Harcourt.

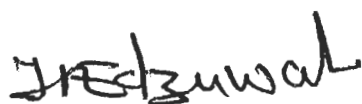
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A member of the Public Practice Section of the Institute of Chartered Accountants of Nigeria



REPORT OF THE AUDIT COMMITTEE TO SHAREHOLDERS

In compliance with the provisions of section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, we the Audit Committee of Benue Cement Company Plc have examined the Auditors report for the year ended 31st December, 2007. We have obtained all the information and explanations we required.

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



TERESA LARABA EDZUWAH (MRS.)

Chairman, Audit Committee

Dated this 13th day of March, 2008

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. Alye	—	<i>Member</i>
Mr. J. A. Ityough	—	<i>Member</i>
Ityoyila 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 **bad or 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) Borrowing costs

Borrowing costs are recognised in the income statement over the term of the loan. **The amount attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of that asset in accordance with IAS 23.**

(j) 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 2007

	Notes	2007 N'000	2006 N'000
Turnover	1	5,473,439	6,029,209
Cost of sales		(2,711,089)	(3,070,499)
Gross profit		2,762,350	2,958,710
Operating expenses		(1,111,878)	(1,042,041)
Trading profit		1,650,472	1,916,669
Other income	2	272,927	1,605
		1,923,399	1,918,274
Interest payable and similar charges	3	(53,097)	(138,328)
Profit before taxation and exceptional items	4	1,870,302	1,779,946
Exceptional items	5	—	2,080,700
Profit after exceptional items but before taxation		1,870,302	3,860,646
Taxation	6	(618,072)	(755,581)
Profit for the financial year after taxation		1,252,230	3,105,065
Loss brought forward		(1,146,228)	(4,251,293)
Profit/(loss) carried forward		106,002	(1,146,228)
Basic earnings per share	7	45k	125k

The accounting policies on pages 12 and 13 and notes on pages 17 to 27 form part of these financial statements.

Auditors' Report, page 10.



■ BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007		2006	
		₦'000	₦'000	₦'000	₦'000
EMPLOYMENT OF CAPITAL					
Fixed assets	8		33,458,355		25,222,804
Long-term investment	9		50		50
CURRENT ASSETS					
Stocks and work-in-progress	10	395,629		371,017	
Engineering stocks		1,646,303		1,676,117	
Debtors and prepayments	11	1,105,588		1,671,222	
Amount due from related company	12	624		—	
Cash at bank and in hand		154,933		168,916	
		<u>3,303,077</u>		<u>3,887,272</u>	
<i>Less:</i>					
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year:					
Borrowings	13(a)	14,252,071		5,020,545	
Trade and other creditors	14	3,843,556		4,315,336	
Taxation	6(b)	1,260,826		615,807	
Amounts due to related companies	15	7,272,480		4,994,213	
		<u>26,628,933</u>		<u>14,945,901</u>	
NET CURRENT LIABILITIES			<u>(23,325,856)</u>		<u>(11,058,629)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,132,549</u>		<u>14,164,225</u>
<i>Less:</i>					
Creditors: Amounts falling due after more than one year:					
Deferred tax	6(d)		(179,630)		(206,577)
Retirement benefits and related obligations	16		(4,785)		(5,103)
Borrowings	17		(341,006)		(5,597,647)
TOTAL NET ASSETS FINANCED BY:			<u>9,607,128</u>		<u>8,354,898</u>
CAPITAL AND RESERVES					
Share capital	18		1,392,188		1,237,500
Share premium	19(a)		5,400,018		5,574,041
Reserve for bonus shares	19(b)		174,923		154,688
Revaluation reserve	8(b)		2,534,897		2,534,897
Profit and loss account	20		106,002		(1,146,228)
Shareholders' funds			<u>9,607,128</u>		<u>8,354,898</u>

The financial statements and notes on pages 14 to 27 were approved by the Board of Directors on 12th March, 2008 and signed on its behalf by:

Alhaji Aliko Dangote, CON



Chairman

G. Gasper Fenelon



Managing Director

The accounting policies on pages 12 and 13 and notes on pages 17 to 27 form part of these financial statements. Auditors' Report, page 10.



■ CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007		2006	
		₦'000	₦'000	₦'000	₦'000
Cash flow from operating activities:					
Cash received from customers		5,174,152		5,894,818	
Other operating income	2	272,927		1,605	
Exceptional income	5	--		2,080,700	
Cash paid to employees and suppliers		(3,636,891)		(6,053,389)	
Cash received from parent Company		2,277,643		(425,842)	
Cash paid on pension obligations		(318)		--	
Decrease in prepayment account		517,992		--	
Net cash inflow from operating activities	21(a)		4,605,505		1,497,892
Cash flow from investing activities:					
Purchase of fixed assets	8(a)	(8,541,276)		(7,657,518)	
Net cash flow from investing activities			(8,541,276)		(7,657,518)
Cash flow from financing activities:					
Increase in share capital		--		990,000	
(Decrease)/increase in bank loans		(5,256,641)		5,819,869	
Increase in share premium		--		5,614,703	
Interest expenses	3	(53,097)		(138,328)	
Net cash flow from financing activities			(5,309,738)		12,286,244
Net (decrease)/increase in cash and cash equivalents			(9,245,509)		6,126,618
Cash and cash equivalents at 1 January			(4,851,629)		(10,978,247)
Cash and cash equivalents at 31 December	21(b)		<u>(14,097,138)</u>		<u>(4,851,629)</u>

The accounting policies on pages 12 and 13 and notes on pages 17 to 27 form part of these financial statements.

Auditors' Report, page 10.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 N'000	2006 N'000
1. TURNOVER		
(i) Analysis by geographical areas:		
Within Nigeria	5,473,439	6,029,209
(ii) Analysis by operations:		
Bagged cement	5,381,680	6,029,209
Bulk cement	89,522	—
Clinker	2,237	—
	<u>5,473,439</u>	<u>6,029,209</u>
2. OTHER INCOME		
Staff school	1,969	42
Write back of provision no longer required	212,927	—
Miscellaneous income	58,031	1,563
	<u>272,927</u>	<u>1,605</u>
3. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest on bank overdraft	14,483	37,166
Bank charges	38,614	101,162
	<u>53,097</u>	<u>138,328</u>
4. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		
(i) Profit before taxation and exceptional items is arrived at after charging:		
Depreciation of fixed assets	305,725	268,770
Directors' remuneration	740	740
Auditors' fees	8,000	4,200
and after crediting:		
Exceptional income	—	2,080,700
	<u>—</u>	<u>2,080,700</u>



■ 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

2007	2006
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>
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- (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:

	N	N
Up to	70,000	
70,001 —	80,000	

2007	2007
No.	No.
—	—
8	8
<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	287	258
Production	108	178
Finance and administration	374	374
Commercial	28	24
	<u>797</u>	<u>834</u>

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

Wages and salaries including bonus and contribution to pension schemes

2007	2006
N'000	N'000
<u>336,399</u>	<u>418,435</u>



■ NOTES TO THE FINANCIAL STATEMENTS

Continued

(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 ₦598,768 million (31 December 2006: ₦688.5 million); a decrease during the period of ₦89,732 million. A provision of ₦179,630 million (2006: ₦206,577) 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:

	2007 ₦'000	2006 ₦'000
Balance 1 January	206,577	—
Provision for the year	—	206,577
Write back of over-provision	(26,947)	—
Balance 31 December	<u>179,630</u>	<u>206,577</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.

8. FIXED ASSETS

(a) These comprise:

	Leasehold land and buildings ₦'000	Plant and machinery ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Capital work-in- progress ₦'000	Total ₦'000
Cost/Valuation						
At 1 January 2007	2,701,956	2,100,355	266,021	120,702	22,252,600	27,441,634
Additions	153,229	22,407	44,995	37,343	8,283,302	8,541,276
At 31 December 2007	<u>2,855,185</u>	<u>2,122,762</u>	<u>311,016</u>	<u>158,045</u>	<u>30,535,902</u>	<u>35,982,910</u>
Depreciation						
At 1 January 2007	507,502	1,576,000	50,445	84,883	—	2,218,830
Charge for the year	70,388	150,450	72,239	12,648	—	305,725
At 31 December 2007	<u>577,890</u>	<u>1,726,450</u>	<u>122,684</u>	<u>97,531</u>	—	<u>2,524,555</u>
Net book values at						
31 December 2007	<u>2,277,295</u>	<u>396,312</u>	<u>188,332</u>	<u>60,514</u>	<u>30,535,902</u>	<u>33,458,355</u>
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>



NOTES TO THE FINANCIAL STATEMENTS

Continued

- (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.
- (c) Included in construction work-in-progress is an amount of ₦1,332,183,108 being borrowing cost for the year capitalised in accordance with accounting policy (i).

9. LONG-TERM INVESTMENT

This represents unquoted investment in Lion Football Club Limited.

	2007 Cost of investment ₦'000	2006 Cost of investment ₦'000
Lion Football Club Limited	50	50

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

10. STOCKS AND WORK-IN-PROGRESS

	2007 ₦'000	2006 ₦'000
Raw materials and consumables	291,109	305,048
Work-in-progress	104,520	65,969
	<u>395,629</u>	<u>371,017</u>

11. DEBTORS AND PREPAYMENTS

	2007 ₦'000	2006 ₦'000
Trade debtors	127,907	76,722
Sundry debtors	36,509	51,679
Staff debtors	29,871	35,440
Prepayments	959,163	1,525,849
Deposits for imports	257,362	208,668
	<u>1,410,812</u>	<u>1,898,358</u>
Less: Provision for bad and doubtful debts	(305,224)	(227,136)
	<u>1,105,588</u>	<u>1,671,222</u>

12. AMOUNT DUE FROM RELATED COMPANY

	2007 ₦'000	2006 ₦'000
Savannah Sugar Company Limited	624	—

This represents dispatch of cement to Savannah Sugar Company Limited.



NOTES TO THE FINANCIAL STATEMENTS

Continued

	2007 N'000	2006 N'000
13. BORROWINGS		
Amounts falling due within one year of the balance sheet date:		
Bank overdraft (Note 17(d))	3,170,379	3,759,247
Term loans (Note 17(b))	6,881,692	—
Commercial papers	4,200,000	1,261,298
	<u>14,252,071</u>	<u>5,020,545</u>

	2007 N'000	2006 N'000
14. TRADE AND OTHER CREDITORS		
(a) Trade creditors	1,968,066	2,236,907
Other creditors	868,023	885,916
Accruals	907,467	1,092,513
Deposit for shares (Note 14(b))	100,000	100,000
	<u>3,843,556</u>	<u>4,315,336</u>

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

	2007 N'000	2006 N'000
15. AMOUNT DUE TO RELATED COMPANIES		
Dangote Industries Limited — Current account	7,037,256	4,509,602
Dangote Sugar Refineries Plc	116,832	329,980
Dangote Agro Sack	36,508	142,980
Obajana Cement Company	8,970	11,651
Dangote Group and Star Limited	72,914	—
	<u>7,272,480</u>	<u>4,994,213</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.

	2007 N'000	2006 N'000
16. STAFF RETIREMENT BENEFITS		
The movement in the staff retirement benefit is as follows:		
Balance at 1 January	5,103	227,451
Charge for the year	50,923	30,236
Remittance to pension fund administrator during the year	(50,095)	(42,378)
Pension written-off	—	(50,318)
Payment to beneficiaries	(1,146)	(159,888)
Balance at 31 December	<u>4,785</u>	<u>5,103</u>



NOTES TO THE FINANCIAL STATEMENTS

Continued

17. BORROWINGS

- (a) Amounts falling due after more than one year:
Term loan and debenture (Note 17b)

2007 N'000	2006 N'000
341,006	5,597,647

- (b) The Company obtained long term-loans from some commercial banks during the year. The classification of the loans on the basis of their due dates is as follows:

Facility	Maturity date	Amount due within 1 year 2007 N'000	Amount due after 1 year N'000	Amount due after 1 year 2006 N'000
N1.13 billion	January 2009	1,138,802	—	989,134
N385 million Term loan		385,505	—	385,505
N2.57 billion	April 2009	2,265,382	300,000	—
N41 million Federal Government of Nigeria Debenture		—	41,006	41,005
N57 million Term loan		57,003	—	57,003
N2 billion Term loan		—	—	2,000,000
N3.035 billion Term loan	May 2008	3,035,000	—	2,125,000
		<u>6,881,692</u>	<u>341,006</u>	<u>5,597,647</u>

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

- (d) The overdraft facilities of N3.17 billion above represent amounts utilised in respect of the N4.2 billion facilities granted to the Company by some Nigerian banks.



■ NOTES TO THE FINANCIAL STATEMENTS

Continued

18. SHARE CAPITAL

	2007 '000	2006 '000
(a) Authorised		
Number		
Ordinary shares of 50 kobo each	3,000,000	3,000,000
Value		
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 (Note 18(b))	2,784,376	2,475,000
Value		
Ordinary shares of 50 kobo each	N'000 1,392,188	N'000 1,237,500
(b) Number		
Balance at 1 January	2,475,000	2,475,000
Transfer from reserve for bonus issue (Note 18(c))	309,376	—
Balance at 31 December	2,784,376	2,475,000
Value		
Balance at 1 January	N'000 1,237,500	N'000 1,237,500
Transfer from reserve for bonus issue (Note 18(c))	154,688	—
Balance at 31 December	1,392,188	1,237,500

- (c) At the Board of Directors meeting held on 6 March 2007, the Directors recommended that the sum of N154,687,500 standing to the credit of the share premium account be capitalized and distributed to shareholders on the basis of one ordinary share for every eight ordinary shares held as at 23 March 2007. The amount was disclosed as reserve for bonus shares in the financial statements for the year ended 31 December 2006. The shares which were issued during the year will rank *pari passu* with the existing shares.

19. SHARE PREMIUM

	2007 N'000	2006 N'000
(a) Balance at 1 January	5,574,041	114,026
Share premium from rights issue	—	5,797,239
Share issue expenses	—	(182,536)
Reserve for bonus issue (Note 19(b))	(174,023)	(154,688)
Balance at 31 December	5,400,018	5,574,041

- (b) At the Board of Directors meeting held on 12 March 2008, the Directors recommended that the sum of N174,023,438 standing to the credit of the share premium account be capitalized and distributed to shareholders on the basis of one ordinary share for every eight ordinary shares held as at 13 March 2008. The new shares will rank *pari passu* with the existing shares.

20. PROFIT AND LOSS ACCOUNT

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

	2007 N'000	2006 N'000
Balance at beginning of the year	(1,146,228)	(4,251,293)
Profit for the year	1,252,230	3,105,065
Balance at end of the year	106,002	(1,146,228)



NOTES TO THE FINANCIAL STATEMENTS

Continued

21. RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES

	2007		2006	
	₦'000	₦'000	₦'000	₦'000
(a) Net income after tax		1,252,230		3,105,065
Adjustment to reconcile net income to net cash provided:				
Interest expenses	53,097		138,328	
Depreciation	305,725		268,770	
Provision for bad debts	78,088		--	
Changes in assets and liabilities:				
Decrease in stocks and work-in-progress	(5,202)		(1,427,535)	
Decrease/(increase) in debtors and prepayments	487,546		(696,672)	
(Decrease)/increase in creditors and accruals	(461,377)		1,291,359	
Increase/(decrease) in amount due to related companies	2,278,268		(425,842)	
Increase in amount due from related companies	(624)		--	
Increase/(decrease) in tax payable	618,072		(755,581)	
Decrease in pension liability	(318)		--	
Total adjustments		3,353,275		(1,607,173)
Net cash provided by operating activities		4,605,505		1,497,892

(b) Analysis of cash and cash equivalents:

Bank balance
Borrowings

	2007	2006
	₦'000	₦'000
Bank balance	154,933	168,916
Borrowings	(14,252,071)	(5,020,545)
	<u>(14,097,138)</u>	<u>(4,851,629)</u>

22. CONTINGENT LIABILITIES

No provision has been made in these financial statements for the contingent liability of ₦29,861,802.43 arising from five legal suits which the Company is involved with. However, the Directors do not expect the Company to lose any of these suits and thereby anticipate no liability.

23. CAPITAL COMMITMENTS

There were commitments to capital expenditure at the balance sheet date amounting to approximately ₦9 billion (2006 : ₦1 billion). This expenditure relates to the acquisition of various items of plant and machinery for the reactivation of the factory.

24. RELATED PARTY TRANSACTIONS

During the year, various transactions were conducted between the Company and its related companies. Notes 12 and 15 disclose the net amount receivable and payable at the year end.



■ STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007		2006	
	N'000	%	N'000	%
Turnover	5,473,439		6,029,209	
Exceptional income	—		2,080,700	
Other income	272,927		1,605	
Bought-in-materials and services — Local	(2,939,499)		(2,890,526)	
— Foreign	(241,344)		(534,809)	
Value added	<u>2,565,523</u>	<u>100</u>	<u>4,686,179</u>	<u>100</u>
% of value added	47%		78%	
Applied as follows:				
To pay salaries and wages	336,399	13	418,435	9
To provide for depreciation of fixed assets	305,725	12	268,770	6
To pay taxes to Government	618,072	24	755,581	16
To pay financial charges	53,097	2	138,328	3
Retained in the Company	<u>1,252,230</u>	<u>49</u>	<u>3,105,065</u>	<u>66</u>
	<u>2,565,523</u>	<u>100</u>	<u>4,686,179</u>	<u>100</u>



■ FIVE-YEAR FINANCIAL SUMMARY

	2007	2006	2005	2004	2003
	N'000	N'000	N'000	N'000	N'000
OPERATING RESULTS					
Turnover	5,473,439	6,029,209	4,005,101	—	390,996
Profit/(loss) before taxation and exceptional items	1,870,302	1,779,946	1,374,508	(911,841)	(1,624,038)
Exceptional items	—	2,080,700	936,235	—	898,487
Taxation	(618,072)	(755,581)	(66,803)	(619)	(1,107)
Profit/(loss) after taxation and exceptional items	1,252,230	3,105,065	(2,243,940)	(912,460)	(726,658)
Retained profit/(loss)	1,252,230	3,105,065	(2,243,940)	(912,460)	(726,658)
BALANCE SHEETS					
Fixed assets	33,458,355	25,222,804	17,834,056	3,057,728	3,035,970
Long-term investments	50	50	50	50	50
Current assets	3,303,077	3,887,272	1,947,949	4,457,277	396,113
Total assets	36,761,482	29,110,126	19,782,055	7,515,055	3,432,133
<i>Less:</i>					
Current liabilities	(26,628,933)	(14,945,901)	(20,131,696)	(10,864,285)	(6,038,104)
Total assets/(liabilities)	10,132,549	14,164,225	(349,641)	(3,349,230)	(2,605,971)
Amount falling due after more than one year:					
Deferred tax	(179,630)	(206,577)	—	—	—
Retirement benefits and other related obligations	(4,785)	(5,103)	(227,451)	(210,206)	—
Borrowings	(341,006)	(5,597,647)	(777,778)	—	(41,005)
Total net assets/(liabilities)	9,607,128	8,354,898	(1,354,870)	(3,559,436)	(2,646,976)
Share capital	1,392,188	1,237,500	247,500	247,500	247,500
Share premium	5,400,018	5,574,041	114,026	153,400	153,400
Reserve for bonus issue	174,023	154,688	—	—	—
Revaluation reserve	2,534,897	2,534,897	2,534,897	2,534,897	2,534,897
Profit and loss account	106,002	(1,146,228)	(4,251,293)	(6,495,233)	(5,582,773)
Shareholders' funds	9,607,128	8,354,898	(1,354,870)	(3,559,436)	(2,646,976)
STATISTICS					
Basic earnings per share (k)	45	125	(453)	(184)	(146)
Net assets/(liabilities) per share (k)	345	338	(273)	(719)	(534)



