

Sustaining our growth  
through focused execution



2016 Annual Report

NASCON Allied Industries PLC

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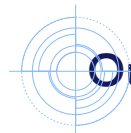
## Sustaining our growth through focused execution

Our growth in 2016 was anchored on aggressive training and manpower development across all cadres of the business. We made a conscious effort to improve staff engagement by identifying, rewarding and challenging our high performers.

Furthermore, we drove operational efficiency by aligning our cost saving initiatives to our values: customer service, excellence, entrepreneurship and leadership.

This resulted in overall improvements in product quality standards, customer satisfaction and volume growth across our business.





## Our Vision, Mission and Core Values

### Our Vision

Our vision is to be a world class consumer goods company that is recognized for the quality of our products and services, delivering high returns to our stakeholders.

### Our Mission

- To deliver consistently good results to our shareholders by selling high quality products at affordable prices, backed by excellent customer service.
- To satisfy market demand by producing the best quality products with the best resources and processes that comply with international industry standards and industry best practices.
- To provide economic benefit to local communities in which we operate.
- To set a good example in areas of corporate governance, sustainability, health and safety.

### Our Core Values

#### Customer Service

As a world-class organisation, we understand that we exist to serve and satisfy our customers. Accordingly, our customer orientation reflects intimacy, integrity and learning.

#### Entrepreneurship

We continuously seek and develop new businesses, and employ innovative ideas to retain our market leadership.

#### Excellence

We are a large organisation, working together to deliver the best products and services to our valuable customers and stakeholders. To achieve this, we demonstrate teamwork, respect and meritocracy.

#### Leadership

We thrive on being leaders in our business, markets and communities. To drive this, we focus on continuous improvement, partnership and professionalism.



NASCON Allied Industries Plc is a member of the Dangote Group of companies



It's not JUST salt, it's



**Salt**  
Refined & Iodized





## 2016 At a Glance

### Salt Sales

**2016** **406,203mt**

2015	377,816
2014	328,112
2013	313,388
2012	337,667

### Revenue

**2016** **₦18.29B**

2015	16.18
2014	11.25
2013	10.84
2012	13.41

### EBITDA

**2016** **₦4.83B**

2015	3.97
2014	3.55
2013	4.32
2012	4.32

### Operating Profit

**2016** **₦3.82B**

2015	3.03
2014	2.83
2013	3.82
2012	3.78

### Earnings per Share

**2016** **₦0.91**

2015	0.79
2014	0.70
2013	1.02
2012	1.04

### Dividend per Share

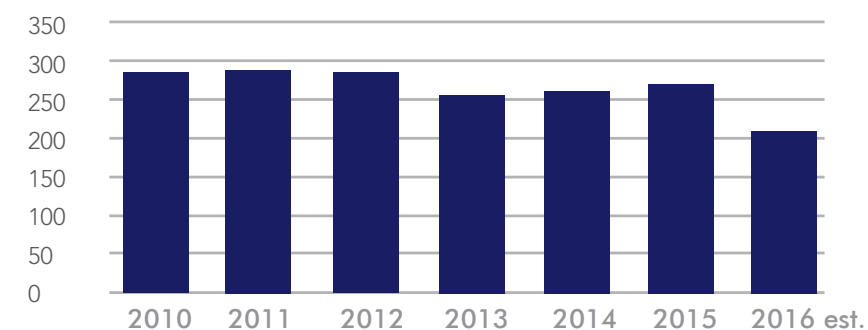
**2016** **₦0.70**

2015	0.55
2014	0.50
2013	0.90
2012	0.90

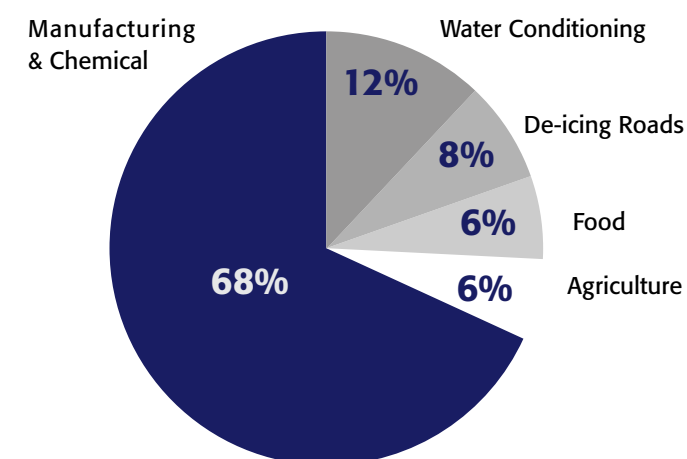
## Global Salt Market

China and the United States of America are the world's largest producers of salt, accounting for 40% of global production of around 250 million tonnes of salt annually. The chemical industry is the largest market for salt accounting for nearly 45% of demand, generated by chloralkali and soda ash producers, with salt in brine accounting for 91% of the salt used for chemical feedstock.

Global Salt Production 2010 - 2016 (M MT)



Global Salt Consumption



The Asia/Pacific region accounts for over half of the salt consumed by the chemical industry. Western Europe and North America also have sizable chemical industries. The remaining markets for salt include road de-icing, food processing, agriculture, general industrial and water conditioning.

Population growth combined with ongoing advances in food and beverage, pharmaceutical, industrial and manufacturing industries further propel the constant yearly consumption increase of salt. Global demand for salt is expected to increase over the coming years.

Source: <https://minerals.usgs.gov>, [www.saltinstitute.org](http://www.saltinstitute.org), <https://www.statista.com>

## Chairperson's Statement



### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of NASCON Allied Industries Plc for the financial year ended 31 December 2016, at this Annual General Meeting.

I would like to start by thanking all of you, our shareholders, for the confidence you have placed in me to carry on the legacy of Aliko Dangote and propel NASCON Allied Industries Plc to even greater heights. I'm confident that we can jointly look towards a stronger future for our company within the Fast Moving Consumer Goods (FMCG) sector. To my colleagues on the Board and the Executive Management team, I would like to thank you all for helping me carry out this role successfully. I appreciate all your hard work and support in ensuring a successful year.

**"We looked at our business strategically and focused our execution on providing consumers with excellent quality products whilst also ensuring the best value to our shareholders."**

## Chairperson's Statement

2016 was, indeed, a difficult year for companies in Nigeria, especially those within the manufacturing sector. At the beginning of the year, the Naira was valued at ₦197/\$1 and depreciated to ₦305/\$1 by the end of the year, which led to an increase in our overall operating costs. Cost savings and optimization became a key strategic imperative for us, and we constantly had to focus our financial resources to mitigate the growing foreign exchange risks our business was exposed to with each passing day.

**"In spite of these economic challenges, we increased volume by 8%, turnover by 13% and earnings by 15%"**

In spite of these economic challenges, I am pleased to announce that through heightened customer focus, enhanced product quality, improved operational delivery and a determination to thrive despite the recession, we were able to deliver volume and revenue growth in our core Salt business and also in our growing Seasoning business. For the financial year ended 31st December 2016, we recorded turnover of ₦18.29bn representing a 13% increase over ₦16.18bn in the previous year. Profit After Tax increased by 15%, from ₦2.11bn in 2015 to ₦2.42bn this year, delivering a 15% growth in Earnings Per Share from ₦0.79 to ₦0.91 this year. Our overall financial stability was maintained with ₦2.45bn in cash reserves.

Consequently, the Board has recommended for your consideration and approval at this meeting, the payment of a dividend of ₦0.70 per 50 kobo share (in 2015, we paid out ₦0.55 per 50 kobo share). This represents a pay-out ratio of 77% at ₦1.85bn, an improvement from the previous year when we paid out ₦1.46bn to our shareholders.

During 2016, we continued to contend with some key constraints that we first experienced in 2015. Specifically, the major raw materials required to feed our palm oil refinery and tomato paste manufacturing plant – Crude Palm Oil (CPO) and triple tomato concentrate – have both remained on the restricted items list. Despite all efforts, we were unable to secure the raw materials locally, in sufficient quantity to run the refinery and production plant efficiently. As such, we have had to mothball these operations to ensure overall business efficiency.

Despite the absence of these two major revenue drivers, our focus on expanding our salt business and conquering new markets through our seasoning business ensured that we

were able to cover for the lost volume from Vegetable Oil and Tomato Paste, resulting in a significant improvement in our overall performance (total volume and revenue).

We looked at our business strategically and focused our execution on providing consumers with excellent quality products whilst also ensuring the best value to our shareholders. We also developed a long-term strategic plan that identified alternative uses for the Tomato Paste and Vegetable Oil operations.

The outlook for our business remains optimistic as we continue to drive growth across our core brands, Dangote Salt and Dan-Q Seasoning, supported by significant investments in marketing and brand building efforts which have already resulted in strong increases in our volume and market share. Distribution and route-to-market efficiency will continue to remain a key focus area to drive growth for NASCON.

To support our growth strategy, we will be investing in Salt packaging and Seasoning cubing lines to improve efficiency and increase market share. We will be acquiring new trucks to reduce external hiring and ensure optimal distribution of all our products. Lastly, I would like to thank you, our shareholders, for your continued faith in our business, in the Board and in the Management of the business. I assure you of our unwavering commitment to the continued growth and prosperity of NASCON Allied Industries Plc.

**Yemisi Ayeni**  
Chairperson





Every meal starts with us



• Salt (Refined and Iodized) • Seasoning (Cubes and Tablets) • Tomato Paste • Vegetable Oil

[www.nasconplc.com](http://www.nasconplc.com)



Available nationwide.

Focus on  
**Operations**





## Company Overview

NASCON Allied Industries Plc is Nigeria's leading refiner and distributor of household, food processing and industrial salt with installed production capacity of 567,000 metric tonnes per annum. We have recently expanded our product lines to include Tomato Paste, Vegetable Oil and Seasoning in a bid to transform to a FMCG company, ensuring that our products become staples in the homes of millions of Nigerians. Leveraging on our existing competitive advantage in the salt industry, we have invested ₦7.3 billion to construct these new production facilities.

We employ over 500 people in our factories, warehouses, fleet and offices throughout Nigeria with our headquarters in Oregun, Lagos. We strictly adhere to rigorous industry and regulatory standards that ensure quality products for Nigeria's ever-increasing consumer and developing industrial markets. Our products have Standards Organization of Nigeria (SON), International Award for Systems Quality (ISO) and the National Food and Drugs Administration and Control (NAFDAC) certifications.

We have three regional sales offices that manage the warehouses and other distribution centers strategically located to serve the Nigerian and neighbouring markets. We own a fleet of over 200 trucks dedicated to the distribution of our products across Nigeria.

### Our History

National Salt Company of Nigeria was established as a salt refinery at Ijoko, Ogun State in 1973, as a joint venture between the Federal Military Government of Nigeria and Atlantic Salt & Chemical Inc. of Los Angeles, California, USA, due to an identified need for self-sufficiency in the production of salt, an essential commodity. Construction work commenced on October 20, 1974 with the refinery completed in December 1975 and erection of plants and machinery in August 1976. The plant was commissioned with an initial installed capacity of 110,000 metric tonnes.

The Company was privatised in 1991 with its shares listed on the Nigerian Stock Exchange in October 1992, through which Dangote Industries Limited purchased majority shares in National Salt Company of Nigeria. Following the reverse takeover of NASCON by Dangote Salt Limited (DSL) in 2007, NASCON acquired the assets, liabilities and business undertakings of DSL. Total production capacity increased to 567,000 metric tons per annum, with the inclusion of three refineries.

### Our Plants

The Apapa refinery, located in the Apapa Port of Lagos, was commissioned in 2001 manufacturing 275,000 metric tonnes per annum. The Port Harcourt refinery located in the sea port in Rivers State was commissioned in 2003 with an

installed capacity of 210,000 metric tonnes per annum. The Oregun plant was commissioned in 2004 with an installed capacity to refine 82,000 metric tonnes of salt per annum. Our plants are primarily powered through the National Grid with Caterpillar generators fueled by gas or diesel, with combined capacity to generate 6.1MW of power.

We made a strategic decision in 2011 to grow the company through new product lines and changed our name to NASCON Allied Industries in 2014 from National Salt Company of Nigeria to reflect our new positioning. We took advantage of our existing site in Ota and construction activities commenced in 2012. We commissioned the Seasoning plant in 2014 with an installed capacity of 3,744 metric tonnes per annum. The Tomato Paste packaging plant, which is designed to produce and package Tomato Paste from tomato concentrate was commissioned in 2015 with an installed capacity of 37,440 metric tonnes. The Vegetable Oil refinery was commissioned in 2015 and can produce 156,000 metric tonnes of refined vegetable oil from crude palm oil.

### Our Products

#### Dangote Salt

NASCON offers a comprehensive Salt product portfolio that are sold mostly in 50kg bags under the well-known "Dangote" brand. For us salt is more than just the mineral that enhances the flavour in food. As an essential element in our diet, we fortify it with iodine under UNICEF guidelines and Nigerian regulations to combat iodine deficiency disorders.

#### Dan-Q Seasoning

Our Seasoning is presently available in chicken and beef flavour variants with plans to expand our flavour offerings in line with consumer needs and the demand for flavour variation

#### Dangote Tomato Paste

This is a thick paste made from triple concentrate. We entered into this product category in response to an identified supply gap within the Nigerian market where local production plus imports have been unable to effectively meet local demand.

#### Dangote Vegetable Oil

In response to the obvious supply gap in the market and the perennial shortage of vegetable oil, resulting in the influx of low quality grey imports into Nigeria, we commenced the production and sale of vegetable oil as a high grade refined product for domestic and industrial use in of 2015.

## Installed Capacity



# SALT

## 567,000MT



Apapa 275,000MT



P/Harcourt 210,000MT



Oregun 82,000MT



# SEASONING



Ota 3,744MT



Ota  
37,440MT



Ota  
156,000MT





## Management Team



### **Paul Farrer** | Managing Director

Paul joined NASCON as Managing Director in 2015, having previously been the Chief Operating Officer and Group Executive Director of Food Concepts Plc. His experience in the foods business spans 20 years in the South and West African markets; in international companies such as TGI Fridays (Americana Group), Steers Holdings – Debonairs Pizza, Famous Brands and Innscor International.

He is an alumnus of East London Technical College, South Africa.



### **Fatima Aliko-Dangote** | Executive Director, Commercial

Fatima joined the Dangote Group in 2014 as the Special Assistant to the Managing Director-Cement and later worked as a Group Corporate Strategy Specialist. In this latter role, she provided planning and analytical support across all the Business Units of the Dangote Group.

She holds a Bachelor's degree in Law from the University of Surrey in the UK. Fatima has been called to the Nigerian Bar, and has worked as an Associate at Banwo and Ighodalo Legal Chambers, on areas related to capital markets, intellectual property and energy.



### **Aderemi Saka** | Chief Financial Officer

Aderemi has a Bachelor's Degree in Accounting and a Masters in International Business from Georgia State University, Atlanta. She has 18 years of experience working in the United States with various multinationals and publicly traded corporations. Prior to joining NASCON as CFO, Aderemi was part of the Group Corporate Strategy team at Dangote Industries Limited.

She has experience in financial analysis, planning, budgeting, forecasting, operational and financial risk management, regulatory controls, internal auditing, strategy and modeling, and program management.



### **Gerhard Scheepers** | Head, Operations

Gerhard has decades of experience across production management, operational financial management and driving operational efficiency for growth.

He began his career in factory operations for Bidbake South Africa rising to become the Managing Director and later Group Operations Director. His immediate past leadership roles include Group Operations Director for Trimark Industries and Director of Operations at Orbiline Pty SA.



### **Olushola Shosanya** | Head, Sales

Shola has decades of experience in sales management, sales force management and warehousing. He is also a Sales trainer. He started his career in Nigerian Bottling Company, where he received both local and international trainings in various countries on sales management and trade activations. He joined NASCON in 2016 having previously worked at 30 Impact Marketing as a Marketing consultant and holds a B.Agric (Animal Science) degree from Obafemi Awolowo University and Post Graduate Diploma in Marketing from the University of Lagos.



### **Rabi Mohammed** | Head, Fleet & Logistics

Rabi's 30-year experience spans production, plant, fleet, transport, logistics and warehouse management. He began his career with Nigerian Bottling Company where he rose to Plant manager level, working across the Northern states and Onitsha.

He Joined the Dangote Group in 1996 as Head of transport for the Flour business and has held various positions of increasing responsibility and complexity across Dangote Cement before being deployed as the Head of Fleet and Logistics for NASCON.



### **Olufemi Ashipa** | Head, Marketing

Olufemi is a marketing specialist with 16 years cognate experience in consumer marketing, new product development, public relations, stakeholder management, events and sponsorship. He has hands on experience across Multinational FMCGs, Telecommunications and Banking/Finance.

He joined NASCON in 2015 having previously worked at Coca-Cola Nigeria Limited and holds a B.A in History and International Studies from Lagos State University and a PGD in Business Administration from the University of Leicester, UK.

## Management Team



### **Nura Shuaibu** | Head, Projects

Nura is a Mechanical Engineer with a degree from Ahmadu Bello University, Zaria. Prior to joining NASCON, he worked with the Ministry of Works and Housing, Kano as trainee Engineer and Gaskiya Textile Mills as Assistant Mechanical Engineer.

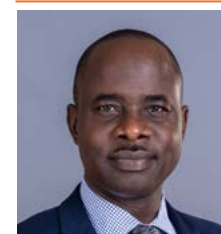
He joined the Company in 1997 as a pioneer staff and has worked in various functions with increasing responsibility including maintenance manager, plant manager and project manager.



### **Rabi Adamu** | Acting Head, Human Resources and Administration

Rabi is a seasoned practitioner with 20 years of practical HR Management work experience within the Dangote Group. She started her career with Dangote Group in 1998 as an Executive Officer. She graduated from Bayero University, Kano and holds a Post graduate Diploma in Management from FUTO. She also has an MBA in Human Resources from Lagos State University.

She is also a member of Nigerian Institute of Management and an Associate Member of the Chartered Institute of Personnel Management.



### **Bayo Babalola** | Head, Procurement

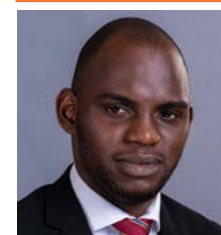
Bayo has over 20 years of work experience in Banking and Procurement. He joined Dangote Group in 1997, left for 4 years to Liberty Bank Plc and rejoined the Group in 2006.

Bayo has a Bachelor's degree in Geography & Planning from the Lagos University and a Masters in Business Administration from Ondo state University.



### **Patrick Mogaha** | Head, Internal Audit

Patrick began his audit career as a Financial Auditor with First Bank of Nigeria PLC in 1995 and has over 19 years of experience in Internal Audit, Information Systems Audit and Fraud & Forensic Audit. Prior to joining NASCON, he was the Deputy Head of Audit for Dangote Cement; Patrick is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), Certified Fraud Examiner (CFE), Certified Forensic Accountant (CFA) and Certified Information Systems Auditor (CISA). He holds BSc in Accounting and MBA in Banking and Finance from ESUT Business School, Enugu.



### **Adewale Akinwale** | Head, Risk Management

Adewale joined NASCON from Nigerian Aviation Handling Company where he was Head, Enterprise Risk Management. His work experiences include functional roles in Risk Management, HSE, Strategy consulting, Logistics and Business Continuity Management from Messrs S.I.A.O Professional Services (Audit & Advisory), Barratts Priceless UK and IKEA Tottenham UK. Adewale holds a Bachelor's degree in Business Management from University of Sunderland UK. He is an Associate Business Continuity Professional of the Disaster Recovery Institute (DRI) USA and member of the Institute of Risk Management (IRM) UK.



### **Tunde Iwamofe** | Financial Controller

Tunde has over 10 years of experience in financial reporting, analysis, planning, budgeting, forecasting, internal audit, tax planning and computation. Prior to joining NASCON in 2008, He was the Account Manager for Somotex Nigeria Limited a member of the Mohinani Group of Companies. He is an Associate of the Institute of Chartered Accountants of Nigeria (ACA), Certified Change Manager (CCM).



### **Adedayo Samuel** | Company Secretary

Adedayo was the pioneer Company Secretary of NASCON when the Company was privatized by the Federal Government. He was responsible for taking the Company to the Nigerian Stock Exchange upon privatization in 1992.

He has extensive and varied experience in Corporate Governance, broad exposure in litigation and in the Judiciary where he had served as a Chief Magistrate. He obtained his LLB degree from the then University of Ife and was called to the bar over three decades ago.



## Management Team



Olufemi Ashipa   Rabiuh Mohammed   Gerhard Scheepers   Rabi Adamu

Olushola Shosanya   Bayo Babalola   Nura Shuaibu   Patrick Mogaha   Adewale Akinwale

Adedayo Samuel   Fatima Aliko-Dangote

Paul Farrer   Aderemi Saka



## Risk Management Report



The strategic intent of NASCON Allied Industries Plc ("NASCON") is aimed at creating and protecting its shareholders value by continuously making reasonable returns in a sustainable systematic way. To achieve this, NASCON ensures that all threats and opportunities encountered or envisaged in its business processes are responsibly evaluated and managed. Thus, the effective management of risks and opportunities has become pivotal in the Company's continued effort to meet and exceed its set objectives and create value for its stakeholders.

NASCON defines risk as the chance of an event occurring which could impact either negatively or positively on its set objectives. Its risk management process is therefore designed to ensure proper escalation and timely treatment of identified risks in order to manage the outcomes in line with the objectives of the organization. The defined process for managing risk follows this order:

- Risk identification and assessment
- Risk measurement and prioritization
- Risk control and reporting
- Risk monitoring

This approach ensures the application of a concrete process of coordinated activities that effectively identifies and controls all likely risks across functions and departments in the organization. With this approach, risks identified are methodically managed to ensure all existing and likely risks NASCON is exposed to, are well managed.

The business units and departments in the Company are exposed to varied risks and opportunities, and timely identification and management of these is achieved through the implementation of uniform and consistent risk management and control mechanisms. Risk management

tools deployed include loss incident reporting, key risk indicator monitoring, credit risk analysis, risk and control self assessments and stress testing for likely losses using various scenarios based on internal and external trends observed.

A holistic fit-for-purpose approach to risk management is also espoused to ensure all of NASCON's strategic, internal and external risk exposures are properly captured. To ensure proper coverage, risk incidents are grouped under Business & Strategic Risk, Operational Risk, Financial Risk, Market Risk, Liquidity Risk, Business Continuity Risk and Reputational Risk.

All the Company's business activities in short, medium and long-term are appraised for timely identification and addressing of prevalent and emerging risks. Identified risks are then assessed, measured and controlled with close monitoring of the implementation of recommended controls by the Company's Risk Management Department and insurance solutions instituted as a key method of risk treatment.

In the year 2016, the Company continued with the full implementation of its Enterprise Risk Management (ERM) framework which aligns with global best practices as stipulated in COSO and ISO 31000 standards.

### RISK MANAGEMENT APPROACH

The ERM framework is designed to assign direct responsibility for prompt detection, assessment, control and reporting of risks to relevant stakeholders in the Company, its business units and departments.

For proper evaluation of the impact of risk exposures in achieving its set objectives, the Company considers both its inherent risk level being its risk exposures without consideration for required controls, and its residual risk levels being its risk exposure after consideration of the effectiveness of required controls. Risk analysis is done using both quantitative and qualitative methods.

Risk treatments deployed allow for risk acceptance through risk reduction, risk sharing, risk transference or risk absorption methodologies such as outsourcing, automation, insurance and provisioning. The main focus for risk mitigation is to ensure that all business activities do not expose the Company to risk levels above its risk appetite. Tolerance limits have been defined and agreed with Management for close monitoring of unsavoury trends.

Identified risk trends are reported to Management on a monthly basis and to the Board on a quarterly basis. Only incidents considered to pose a medium to high risk threat in the short to medium term are reported to ensure efficacy

## Risk Management Report

and cost efficiency in risk mitigation strategies deployed. Risks that arise in the short term and require urgent redress are communicated to relevant stakeholders on an adhoc basis.

Risk incidents reported are prioritized based on consideration for likelihood of occurrence and adjudged level of impact. Five levels of severity have been defined for both measurement parameters and properly defined as captured in Figures 1 and 2.

Assessing Likelihood of Occurrence	
Almost certain	Occurs once a month
Likely	Occurs once every 3 - 6 months
Possible	Occurs at least once a year
Unlikely	Likely to occur every 2 years
Rare	Likely to occur every 3 years

Assessing Level of Impact					
	Catastrophic	Major	Moderate	Minor	Insignificant
Parameter	5	4	3	2	1
Financial	>25% of Gross income	>15%-25% of Gross Income	>5%-15% of Gross Income	1%-5% of Gross Income	<1% of Gross income
Reputational	Negative publicity lasting over 6 months; High customer defection, irreparable share pricing decline; Major investor divestment	Negative publicity lasting for over 3 months, Some customer defection; Decline in share price; Few instances of investor divestment	Negative publicity lasting for over 1 month, Some customer defection; Decline in share price; No investor divestment	No negative publicity, customer defection; impact on share price or investor divestment	Minimal negative publicity, customer defection; No impact on share price or investor divestment

### KEY RISK CATEGORIES

Based on its business activities, the three major risk exposures of NASCON are Strategic, Operational and Financial Risks. Most risk incidents identified and managed in the course of the year fell under these categories.

### STRATEGIC RISKS

In NASCON, strategic risks are considered as incidents or events that expose the business to uncertainties which may be unplanned for threats or unexploited opportunities encountered in the execution of the Company's strategic intent. These issues are usually decided on by the Board and impact the performance and sustainability of the entire business. Examples includes strategic planning methodology, budget planning and control, commodities resourcing strategy and expansionary plans.

### OPERATIONAL RISKS

Operational risks are classified as incidents that result in actual or likely change in value ensuing from inadequate or failed internal processes, people and systems, or from external events including legal risk. Examples of operational risks identified in NASCON include fires at plants, unplanned disruption from equipment malfunctions, health and safety issues, and low staff productivity.

### FINANCIAL RISKS

Financial risk incidents expose the organization to varied types of events associated with financing, customer default in payments, uncertain return on investment, foreign exchange fluctuations and other business activities with a potential for financial loss. Major risk events captured under this category include Credit Risk, Market Risk, Liquidity Risk and Insurance Risk. Examples of financial risks recorded in NASCON include foreign exchange fluctuations, incidence of past due payments, and outstanding insurance claims.



Key Risk categories



## Risk Management Report

RISK INCIDENT TYPE	LEVEL OF OCCURENCE	LEVEL OF IMPACT	MITIGATION STRATEGY
<b>STRATEGIC RISKS</b>			
Adverse economic trends	Almost Certain	Moderate	Environmental scanning and review of objectives
Commodity risks	Likely	Minor	Use of "Value at Risk" (VAR), "Earnings at Risk" (EAR) and "Cash flow at Risk" (CAR) models in forecasting trends in the commodities' market
Energy supply and costs risks	Likely	Minor	Explore alternative energy options
Raw materials procurement	Possible	Minor	Strategic forward buying of raw materials
Sales and revenue growth trend	Possible	Moderate	Closely monitored
Impact of salt on the environment	Almost Certain	Major	Installation of salt dust extractors; cathodic protection of infrastructure
<b>OPERATIONAL RISKS</b>			
Risks arising from delayed supplies	Possible	Minor	Closely monitored
Bottlenecks from transportation of goods	Possible	Moderate	Truck tracking system introduced; Turn-Around-Time closely monitored
Risks arising from delayed internal approvals	Possible	Minor	Addressed sufficiently
People management risk issues	Unlikely	Moderate	Addressed sufficiently
Compliance risks	Possible	Moderate	Closely monitored
IT risks	Possible	Moderate	Closely monitored
Health, Safety & Environment risks	Possible	Moderate	Closely monitored
Process standardization and documentation risks	Unlikely	Moderate	Addressed sufficiently
<b>FINANCIAL RISKS</b>			
Foreign exchange fluctuations risks	Possible	Moderate	Financing purchases through utilization of supplier credit, use of appropriate hedges for future foreign exchange transactions, increase export trades.
Risks arising from credit concentrations	Possible	Moderate	Closely monitored
Non-availability of documentation to facilitate insurance claims	Possible	Moderate	Closely monitored
Liquidity risks	Unlikely	Moderate	Closely monitored

### OPPORTUNITIES RECORDED OUTCOME OF TECHNICAL RISK SURVEYS

As part of requirement for Industrial All Risk policies, engineering risk surveys are conducted regularly by independent risk consultants on the organization's assets across plants. The findings of these risk surveys provide critical information regarding technical risks in the organization's operations and risk prioritization in the risk register. Issues raised and managed after the engineering risk surveys conducted in 2016 at Oregun, Apapa, Ota and Port Harcourt plants brought about consideration of new approaches to doing business such as use of weigh bridges, automation of some processes, rejuvenation of the

laboratory and plans to relocate some facilities.

### EXPORT TRADES

In 2016, NASCON was exposed to scarcity of foreign exchange. The continuous dip in oil production in Nigeria and the introduction of a flexible foreign exchange policy by Central Bank of Nigeria resulted in the Naira taking a dip from ₦197/\$1 to ₦305/\$1. These led to harsh business conditions for NASCON such as delayed payment of foreign vendors for supply of spare parts, raw materials, provision of operations and technical maintenance services, including expatriate salary payment.

## Risk Management Report

To effectively manage the Company's exposure to this risk, close liaison with the Company's finance function was maintained throughout the year for prompt and effective decision-making. Increase in export sales to earn foreign exchange was also explored, the required infrastructure and operational strategy for achieving this is being finalized for full implementation as a sales and revenue growth strategy. Key export trades to Ghana, Benin Republic and Togo are being explored.

### ACHIEVEMENTS IN THE YEAR 2016

- Full implementation of a robust risk governance structure.
- Institution of Loss Incident Reporting and Key Risk Indicators monitoring.
- Recruitment of a Head of Risk Management for the Company.
- Conducted Risk Management training for Executive Management.
- Commenced Risk reporting to Management and the Board.
- Procurement and enforced use of Personal Protection Equipment (PPE) at all locations.
- Commenced renovation of the Port Harcourt Plant.
- Installation of Fire hydrant at Ota plant.
- Successful engineering surveys at Ota, Oregun and Port Harcourt plants.



**Adewale Akinwale**  
Head, Risk Management



## Our People



### Employment and Employees

The Company has reviewed its employment policy in line with the needs of business.

We are focused on attracting, retaining and developing talent at all levels of the business, which is reflected in our objective approach to recruitment and selection.

We are committed to:

- Recruiting and retaining high caliber people from both within NASCON, the Dangote Group and also, externally for all available positions.
- We promote diversity in all its ramifications through a rigorous and transparent recruitment and selection process devoid of ethnic, cultural, or gender bias, working in a challenging environment which affords the opportunity for all employees to unleash their abilities.
- Our selection process depending on the role, would typically include sourcing, written and oral interviews, final selection and finally, onboarding.

### Employee Development

Training and development programmes have been organised to meet the needs of the company's transformation agenda through the Dangote Academy. The company continues to place a premium on human capital development for strategic advantage over competition.

**"426 trainings courses  
attended at the Dangote  
Academy"**

## Compliance

### Health, Safety and Environment

NASCON is committed to conducting its business activities through healthy, safe and environmentally friendly operations using informed and highly motivated manpower and appropriate technology.

We are committed to managing an occupational health and safety system that promotes a safe working environment for all employees, suppliers, contractors and visitors to our business locations. We are determined to create an embedded safety culture across all our business operations with the objective of minimizing the risk of accidents with zero fatalities.

The objectives of our HSE Policy are to:

- Provide safe and healthy work environment within our facilities for all members of staff, visitors and the public.
- Eliminate/control all causes of accidents within our operations thereby minimizing accident occurrence.
- Develop a culture which encourages employees to take personal responsibility for health, safety and environment in all activities under their management.
- Provide appropriate waste handling and effluent treatment technology to ensure minimal negative environmental impact.
- To educate members of staff, visitors and the public on the need to comply with health, safety and environmental provisions in place.
- Comply with and exceed the minimum statutory requirement on HSE.

- Integrate HSE objectives into all staff activities and reward accordingly.

To check that we are achieving our benchmark, we carry out quarterly internal health and safety audits on lost time incidents, fatalities and medical treatment cases. Emphasis on employee safety is key and failure to wear appropriate Personal Protective Equipment ("PPE") is treated as a disciplinary offence. There are systems in place to ensure that all accidents are recorded and all serious accidents are investigated. This data is then subject to close scrutiny by senior management and presented Quarterly to the Management Committee and the Board of Directors to ensure adequate health and safety measures are taken seriously at all levels of the business.

We operate in accordance with Nigeria's OHSMS legislation and our OHSMS policy is reviewed every five years for continuing suitability, thereby providing the basis for setting and reviewing Occupational Health & Safety objectives and targets.

### Quality Control and Assurance Practices

NASCON is committed to producing high quality products using best manufacturing practices in compliance with statutory/regulatory requirements in order to satisfy our customers through effective implementation, continual improvement and periodic review of policies, objectives, processes and systems in line with the requirements of NIS ISO 9001:2015 Quality Management System.





## Managing Director's Review



**"Top line growth extrapolated into significant shareholder value to our bottom line."**

Let me begin by thanking the Board, Management and staff of NASCON Allied Industries Plc for their continued support, commitment, dedication and indeed resilience over the 2016 financial year. This contributed immensely to delivering the results we present here today.

It goes without saying that 2016 was a tough economic year to navigate. There were several significant challenges the company had to deal with on the back of changed forex policies. These include import restrictions, rising costs and double digit inflation, reduction in consumer disposable income, rising unemployment and the rapid devaluation of the Naira against the US Dollar. Through a cost control based strategy, prioritizing our key investments, and putting in place sound financial systems and controls, we were able to weather the storm.

In 2016, we committed to seeking sustainable solutions to the Tomato Paste and Vegetable Oil business lines (which had stalled due to challenges accessing raw materials). We remained optimistic that the government would make positive changes around some of its policies on importation, foreign exchange and access to foreign currencies. The expected Government actions however did not occur and as a result, we had to suspend operations in these segments temporarily.

I am however proud to announce that in spite of these challenges, we are able to present strong financial and non-financial results. Permit me to quickly walk you through our 2016 performance, the initiatives and actions that led to our improved results, and our outlook for the next financial year.

### We delivered strong performance

We recorded significant growth across our business, with each of our business segments delivering strong performance versus 2015. In terms of our volume, we grew from 377,816mt to 406,203mt in 2016, representing a growth of 8%. This growth comprised of 9% growth across our Salt products and in Seasoning, we recorded a remarkable 140% incremental growth over previous year. This top line growth extrapolated into significant shareholder value to our bottom line.

Early in the year, with the challenges in the Vegetable Oil and Tomato Paste business segments, we took the decision to accelerate growth across our Salt and Seasoning businesses in order to mitigate business risks, increase revenue and grow profitability. With Salt, we made deliberate efforts to expand into new territories on the back of our market penetration strategy - specifically driving redistribution, product availability and visibility in trade.

Our business strategy entailed overhauling our production/operations processes across HSE (Health, Safety and the Environment) – subsequently reducing downtime through preventive maintenance and also realigning our health and safety policies, governance and reporting frameworks.

2016 saw us invest in capacity improvement - we partially overhauled our salt refinery, and scheduled production maintenance in line with demand trends ensuring minimal disruption to the business. A review and revamp in our quality assurance and control processes also ensured consistent product quality, and ensured we improved our product tracking from raw materials all the way to finished goods. The successes recorded required discipline and commitment from the entire team, and I am proud of the way the team executed set goals and targets.

## Managing Director's Review

### Our focus on our people translated to an increase in engagement levels and improved performance

We focused extensively on manpower and capacity development through structured on the job training, class room training, and developing our people's skill sets across all aspects of the business. 426 trainings courses attended at the Dangote Academy, while we instituted a "train the trainer programme", (staff who had undertaken trainings were expected to cascade their training to other members of their team/function). These efforts all contributed to creating a high performing environment that produced positive results.

In 2016, we upgraded and or promoted a total of 10% of our staff across our entire business, and challenged our high performers to do even better. We also streamlined our performance management system in line with the group PMS, ensuring that we are able to effectively benchmark our performance against our peers in sister companies within the Dangote Group of companies.

We invested in additional human capital in our mission to create a sales force fit for purpose. This ensured adequate coverage and proper staffing across our geographical regions. We also instilled renewed zeal into our internal control, risk and finance functions, while staffing vacant positions in fundamental business areas to ensure the continued success of our operations.

### Customer Service Focus

Keeping the customer at the core of our business, our commercial team worked tirelessly to drive customer engagement and satisfaction as a business strategy. We simplified our product ordering and payment processes to make them more customer focused. We listened to the needs of our customers and distributors and provided them with the much needed marketing support to help increase their throughput and ultimately, making them more profitable, as evidenced in the performance of our top tier customers this year.

### We focused on our retail fundamentals

With the growth in convenience products brought about by our evolving lifestyle in Nigeria, an increased number of people are leaning towards smaller pack formats in line with their disposable income. As such, a few key decisions in this area have translated to immediate and long term gains for us. We have focused on optimizing our route to market to ensure product availability and are constantly reviewing trade terms in line with shifts in the marketplace. These actions have translated to better affinity for our products, and ultimately resulted in increase in sales and strong share gain across Seasoning and Salt (refined and bulk).

### 2017 and beyond

Although the economic challenges are expected to persist for a while, with steady improvements over the next 18 months, our outlook for the future remains optimistic as evidenced by the recent gains of the Naira against the US Dollar, and the expected stability in crude exports and revenue. The sustained peace in the Niger Delta region, and the conscious effort by the government to narrow the gap between the CBN and parallel market exchange rates adds to this optimism.

Macroeconomics indices also suggest a slow but steady turn in the economy, possibly affording key players an opportunity to reset pricing in line with production realities.

Lastly, we remain confident that our long term strategy for Vegetable Oil and Tomato Paste businesses will yield results in the near future. In the interim, we will continue to challenge our status quo and leverage on opportunities to innovate new high margin products.

Ladies and gentlemen, it is with this backdrop that I again thank you our stakeholders for your continued confidence and support in our business, and your unwavering belief in the future of our NASCON Allied industries Plc.

**Paul Farrer**  
Managing Director



## Chief Financial Officer's Review



**"Total revenue increased by 13% to ₦18.29bn with Salt revenue increasing by 24% to ₦14.82bn and Seasoning revenue increasing by 127% to ₦0.54bn."**

### Summary of Financial Performance

	31-Dec-16	31-Dec-15
Financial Highlights	₦'000	₦'000
Total Revenue	18,291,792	16,178,197
EBITDA	4,833,013	3,968,435
EBITDA Margin (%)	26.4%	24.5%
Operating Profit	3,818,674	3,028,371
Profit Before Tax	3,516,331	3,017,564
Net Profit	2,415,183	2,105,646
Earnings per share (N)	0.91	0.79
Net Cash & Cash Equivalents	2,453,499	2,504,887
<b>Total Assets</b>	<b>24,603,267</b>	<b>16,294,826</b>
	31-Dec-16	31-Dec-15
Revenue by Product	₦'000	₦'000
Salt	14,823,697	11,912,111
Seasoning	544,458	239,355
Tomato Paste	8,342	541,331
Vegetable Oil	479,375	1,514,349
Freight	2,435,920	1,971,051
<b>Total Revenue</b>	<b>18,291,792</b>	<b>16,178,197</b>

## Chief Financial Officer's Review

2016 was a challenging year for all businesses in Nigeria. Despite the economic uncertainties, we were able to increase total revenue by 13% to ₦18.29bn (2015: ₦16.18bn) with Salt revenue increasing by 24% to ₦14.82bn (2015: ₦11.91bn); Seasoning revenue increasing by 127% to ₦0.54bn (2015: ₦0.24bn) and Freight revenue increasing by 24% to ₦2.44bn (2015: ₦1.97bn). The other business lines (Tomato Paste and Vegetable Oil) declined by 98% and 68% respectively, contributing a combined revenue of ₦0.49bn (2015: ₦2.06bn).

	31-Dec-16	31-Dec-15
Volume by Product	Tonnes	Tonnes
Salt	403,505	369,054
Seasoning	1,347	561
Tomato Paste	34	1,664
Vegetable Oil	1,317	6,537
<b>Total Volume</b>	<b>406,203</b>	<b>377,816</b>

Salt volume increased by 9% in 2016 to 403,505mt compared to 369,054mt in 2015 driven by focused marketing and strategic market activations. Salt production efficiency in all 3 plants increased by 76% (2015: 64%). Seasoning volume increased by 140% in 2016 to 1,347mt compared to 561mt in 2015 driven by focusing our marketing attention on brand differentiation and market penetration.

The 2015 CBN FX policy stalled the importation of the necessary raw materials for both Tomato Paste and Vegetable Oil. Despite the challenges, we were still able to achieve 34mt of Tomato Paste revenue of ₦0.01bn and 1,317mt of Vegetable Oil revenue of ₦0.48bn.

	31-Dec-16	31-Dec-15
Profitability	₦'000	₦'000
EBITDA	4,833,013	3,968,435
Depreciation and amortization	1,014,339	940,064
<b>Operating Profit</b>	<b>3,818,674</b>	<b>3,028,371</b>

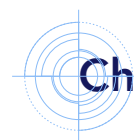
Operating profit in 2016 was ₦3.82bn, an increase of 26% over ₦3.03bn in 2015. Due to improved efficiencies, operating margin increased to 21% in 2016 compared to 19% in 2015. Salt contributed ₦4.56bn to the total operating profit, Seasoning contributed ₦0.07bn while Freight generated a loss of (₦0.53bn). Tomato Paste (₦0.05bn) and Vegetable Oil (₦0.24bn) both made losses due to lack of raw materials for production.

	31-Dec-16	31-Dec-15
Cost of Sales	₦'000	₦'000
Direct material cost	7,231,144	7,588,592
Direct labour cost	823,370	871,165
External haulage	2,535,489	1,690,141
Depreciation	767,389	743,405
Loading	108,048	91,961
Manufacturing expenses	909,578	833,815
<b>Total Cost of Sales</b>	<b>12,375,018</b>	<b>11,819,079</b>

2016 Cost of sales increased by 5% to ₦12.38bn (2015: ₦11.82bn). The major driver was external haulage which grew by 50% due to increased Salt volumes and hiring third party transporters to support our fleet and ensure timely delivery of all our products.

Gross profit increased by 36% to ₦5.92bn (2015: ₦4.36bn) and gross profit margin increased to 32% compared to 27% in 2015.





## Chief Financial Officer's Review

	31-Dec-16	31-Dec-15
	₦'000	₦'000
<b>Administrative and Distribution Expenses</b>		
Distribution Expenses	638,189	218,622
Administrative Expenses	1,478,395	1,273,122
<b>Operating Costs</b>	<b>2,116,584</b>	<b>1,491,744</b>

Distribution costs grew by 192% due to increased marketing expenses as we elevate our brand and grow market share. Administrative expenses increased by 16% largely due to additional overhead expenses from increased volumes.

	31-Dec-16	31-Dec-15
	₦'000	₦'000
<b>Finance Income and Expenses</b>		
Bank deposits	340	675
Fixed deposits	54,988	8,583
<b>Finance Income</b>	<b>55,328</b>	<b>9,258</b>

	31-Dec-16	31-Dec-15
	₦'000	₦'000
Interest on borrowings	357,671	20,065
<b>Finance Cost</b>	<b>357,671</b>	<b>20,065</b>

Finance income increased by 498% in 2016 as surplus funds were invested in the year. Finance costs in 2016 was ₦0.36bn (2015: ₦0.02bn) due to short term related party borrowings. The average effective interest during the year was 15%.

The profit before tax was ₦3.52bn, compared to ₦3.02bn in 2015, which represents a 17% increase.

	31-Dec-16	31-Dec-15
	₦'000	₦'000
<b>Taxation</b>		
Income Tax Expense	1,101,148	911,918
<b>Total Tax (Charge)/Credit</b>	<b>1,101,148</b>	<b>911,918</b>

Tax expense for the year increased by 21% to ₦1.10bn, including a deferred tax expense of ₦0.23bn. The effective tax rate was 31%

	31-Dec-16	31-Dec-15
	₦'000	₦'000
<b>Financial Position</b>		
Property, plant and equipment	6,346,688	6,759,039
Intangible assets	47,374	141,184
Other non-current assets	5,513	9,188
Current assets	15,711,623	6,836,722
Cash and bank	2,492,069	2,548,693
<b>Total assets</b>	<b>24,603,267</b>	<b>16,294,826</b>

	31-Dec-16	31-Dec-15
	₦'000	₦'000
Non-current liabilities	1,393,517	1,216,523
Current liabilities	15,124,954	7,946,263
Debt	38,570	43,806
<b>Total liabilities</b>	<b>16,557,041</b>	<b>9,206,592</b>

There was a 51% increase in total assets to ₦24.60bn (2015: ₦16.29bn). Main drivers were trade and other receivables, and inventories. Cash at the bank also decreased by 2% over 2015 to fund ongoing rehabilitation projects and meet operational needs. Total liabilities increased by 80% to ₦16.56bn (2015: ₦9.21bn) mainly due to trade and other payables.



## Chief Financial Officer's Review

Net Cash & Cash Equivalents in 2016 was ₦2.45bn, a 2% decrease compared to last year (2015: ₦2.50bn). Capital expenditure reduced by 47% to ₦0.54bn (2015: ₦1.02bn) as we reached the completion of our new businesses. Cash flow from operations reduced by 44% in 2016 to ₦2.24bn (2015: ₦4.01bn).

The profit for the year was ₦2.42bn, a 15% increase over ₦2.11bn in 2015. This resulted in a 15% increase in Earnings Per Share in 2016 of ₦0.91 (2015: ₦0.79).

### Recommended dividend

On Tuesday 28th March, 2017, the Directors proposed a dividend of ₦0.70 per share (2015: ₦0.55) to be paid to shareholders on Monday 8th May, 2017. The dividend represents a payout ratio of 77%. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting on Thursday, 4th May, 2017. If approved, the total amount of dividends payable will be ₦1.85bn (2015: ₦1.46bn). The dividend will be payable to all shareholders whose names appear in the company's Registrar of Members at close of business on Wednesday 19th of April, 2017.

### Financial Position

In compliance with the Regulatory requirement in Nigeria, the Consolidated and Separate Statement of Financial Position as at 31st December, 2016 has been signed by NASCON Allied Industries Plc's Finance Controller, Tunde Iwamofe, who is a Registered Member of a Nigerian Professional Accountancy Institute.

### Going Concern

The Directors continue to apply the Going Concern principle in the preparations of the financial statements. After considering the liquidity position and the availability of resources, the Directors concluded that there are no significant threats to the Company's Going Concern capabilities.

Aderemi Saka  
Chief Financial Officer



[www.nasconplc.com](http://www.nasconplc.com)

  
DANGOTE  
**Salt**  
*Refined & Iodized*



We are proud to share  
national similarities with  
this great nation of ours.



## Focus on **Corporate Governance**







# Corporate Governance Report



### General information

NASCON Allied Industries Plc is committed to best practice and procedures in corporate governance. The corporate governance practices are constantly under review, in line with dynamics of the business environment. There was considerable focus on the company’s corporate governance practices especially at the Board level during the year.

The Corporate Governance policies adopted by the Board of Directors are designed to ensure that the Company’s business is conducted in a fair, honest and transparent manner which conforms to high ethical standards. The Board delegates the day-to-day running of the Company’s affairs to the Managing Director/Chief Executive Officer supported in this task by an Executive Management Committee. The Board currently consists of Ten (10) members, Chairperson, 2 Executive Directors and seven (7) Directors.

### Compliance

NASCON is committed to compliance with the requirements of the Nigerian corporate governance regulations, which include but are not limited to the Securities and Exchange Commission’s Code of Corporate Governance for Public Companies in Nigeria and the Companies and Allied Matters Act.

### Responsibilities of the Board of Directors

It is the responsibility of the Board of NASCON Allied Industries Plc to:

- Ensure integrity of the Company’s financial and internal

- control policies.
- Ensure the accurate, adequate and timely rendition of statutory returns and financial reporting to the regulatory authorities (Nigerian Stock Exchange, Corporate Affairs Commission, Securities and Exchange Commission) and shareholders.
- Ensure value creation for shareholders , employees and other stakeholders.
- Review and approve corporate policies, strategy, annual budget and business plan
- Monitor implementation of policies and the strategic direction of the Company.
- Set performance objectives, monitor implementation and corporate performance.
- Review and approve all major capital expenditure of the Company.
- Ensure that the statutory rights of shareholders are protected at all times.

### Meeting of the Board of Directors

The Board of Directors holds several meetings in the year to consider important corporate events and actions such as approval of corporate strategy, annual corporate plan, review of internal risk management and control systems, review performance and direct the affairs of the Company, its operations, finance and formulate growth strategies. It may however, convene a meeting if the need arises.

### Record of Directors’ meetings

Attendance at Directors’ meetings is impressive. In line with provisions of Section 258(2) of the Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004, the record of Directors attendance at Board meetings is available for inspection at the Annual General Meeting.

### Board meetings and attendance

The Committee held nine (9) meetings in the year	
Yemisi Ayeni	9/9
Paul Farrer	9/9
Fatima Aliko-Dangote*	7/7
Olakunle Alake	9/9
Halima Aliko-Dangote	8/9
Abdu Dantata	8/9
Sada Ladan-Baki**	2/9
Chris Ogbechie	7/9
Knut Ulvmoen	9/9
Fatima Wali-Abdurrahman	8/9
*Fatima Aliko-Dangote was appointed on March 11, 2016	
**Sada Ladan-Baki was on approved work assignment with a related party company.	

### Key activities of the Board

- The board carried out an extensive review of the company’s short and long term strategy, culminating in



# Corporate Governance Report

- a detailed strategic plan.
- Consideration reports of the Board Committees with recommendations for approval
- The Board considered the quarterly unaudited financial reports and audited full year reports and proposed a dividend
- Financing requirements for rehabilitation and full automation of the salt refinery
- Operational performance, marketing strategy and report on business and projects
- Risk Management objectives and implementation

### Board Committees

The Board delegated some of its responsibilities to standing committees that consists of Executive Directors and Directors. These are the Establishment and General Purpose and Finance, Risk and Audit Committees. The Committees report to the Board of Directors on their activities and decisions which are ratified by the full Board, at a meeting.

In compliance with the practices of good corporate governance, the Chairman of the Board is not a member of either of these committees.

### The Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee is responsible for monitoring the integrity of the financial statements of the Company. It also assesses and monitors all risks associated with the operations of the Company, developing and monitoring the implementation of Internal Control System, by Management. The Committee assists the Board in its responsibility relating to the oversight of the Company’s financial credit and risk management policies and procedures.

The Committee is comprised of seven (7) Directors,	
Chris Ogbechie	Chairman
Paul Farrer	Member
Fatima Aliko-Dangote	Member
Olakunle Alake	Member
Halima Aliko-Dangote	Member
Abdu Dantata	Member
Sada Ladan-Baki	Member

### Key matters considered

- Reviewed the 2015 annual reports and accounts
- Reviewed the 2016 quarterly financial reports
- Reviewed the critical accounting policies applied in the preparation of the financial statements
- Reviewed the reports on key operational risks and the related controls and processes to manage and mitigate said risks

### Finance, Risk and Audit Committee attendance:

The Committee held five (5) meetings in the year	
Chris Ogbechie	5/5
Paul Farrer	5/5
Fatima Aliko-Dangote*	2/2
Olakunle Alake	5/5
Halima Aliko-Dangote	5/5
Abdu Dantata	5/5
Sada Ladan-Baki	1/5
*Fatima Aliko-Dangote was appointed on April 22, 2016	

### The Establishment and General Purpose Committee

The Committee is responsible for reviewing the policy framework for employee and remuneration issues. The Committee also institutes a transparent procedure for the appointment of new Directors to the Board of Directors and recommendation to the Board regarding the tenures and the re-appointment of Directors. The committee is comprised of five (5) Directors:

Knut Ulvmoen	Chairman
Paul Farrer	Member
Fatima Aliko-Dangote	Member
Halima Aliko-Dangote	Member
Fatima Wali-Abdurrahman	Member

### Key activities during the year

- Considered the proposed new organizational and salary structure, including new positions and portfolios
- Considered the controls and procedures for monitoring staff and IT output quality

### Establishment & General Purpose Committee attendance:

The Committee held four (4) meetings in the year	
Knut Ulvmoen	4/4
Paul Farrer	4/4
Fatima Aliko-Dangote*	2/2
Halima Aliko-Dangote	4/4
Fatima Wali-Abdurrahman	4/4
*Fatima Aliko-Dangote was appointed on April 22, 2016	

### The Statutory Audit Committee

The Committee is made up of six (6) members, three representatives of Shareholders and three members of the Board of Directors. The members are elected annually at General Meetings. The Committee, in compliance to the requirement of good corporate governance practices is chaired by a representative of the Shareholders and include:

Okey Nwuke	Chairman/Shareholder
Umar Farouk	Shareholder
Kudaisi Ayodele Sarat	Shareholder
Halima Aliko-Dangote	Director
Abdu Dantata	Director
Chris Ogbechie	Director



# Corporate Governance Report

## Statutory Audit Committee attendance:

The committee held three (3) meetings in the year	
Okey Nwuke***	2/2
Umar Farouk	3/3
Kudaisi Ayodele Sarat***	2/2
Halima Aliko-Dangote	3/3
Abdu Dantata	3/3
Chris Ogbechie***	2/2

\*\*\*These members were elected on May 19, 2016

## Responsibilities of the Statutory Audit Committee

- Ensuring the independence and objectivity of the Audit.
- Reviewing the adequacy and effectiveness of NASCON Allied Industries' internal control policies prior to endorsement by the Board.
- Directing and supervising investigations into matters within its scope, such as evaluation of the effectiveness of NASCON Allied Industries' internal controls, business partner and client misconduct of interest.

In addition to the above stated responsibilities, the Committee carries out all such other functions as stipulated by the Companies and Allied Matters Act of Nigeria, CAP C20 LFN 2004.

## Code of Business Conduct and Code of Governance for Directors

The Company has a code of business conduct, which is applicable to all employees and Directors. Mindful of our reputation, we have zero tolerance to all forms of unethical behavior including bribery and corruption. The policy is designed to promote a culture of honesty and accountability. It also provides guidance on mechanisms to report unethical conduct.

## Whistle Blowing Policy

The whistle blowing policy enables staff to raise concerns about possible improprieties in financial and other matters without fear of reprisal, provided that such concerns are raised in good faith. Employees and other stakeholders are encouraged to report incidents of misconduct in a confidential and anonymous manner through the internal reporting channels.

## Insider Trading Policy

In accordance with Section 14 of the Nigerian Stock Exchange Amended Listing Rules, the Board has put in place a Security Trading Policy which applies to all Directors and Employees and also to those who may at any time possess, any insider or material information about the Company.

The Security Trading Policy as endorsed by the Board is in substantial conformity with the standard set out in Section

14 of the Amended Listing Rules. Accordingly, it is hereby confirmed that, after specific inquiries of all the Directors of the Company, they have all confirmed their compliance with the Policy in the period before the Company results were announced for the 2016 financial year.

There is no case of non-compliance with the Policy. Furthermore, the compliance of the Company Directors with the listing rules and the anti-insider trading policy will continue to be disclosed in the Company's quarterly and other financial reports.

## Complaints management

The Company has adopted a complaints management policy in accordance with the requirements of the Securities and Exchange Commission's rules relating to the Complaints Management Framework of the Nigerian Capital Markets. Shareholders can direct any complaints or enquiries to the Company Secretariat or to the Registrars, depending on the nature of complaint. Our policy is to acknowledge receipt of the complaint within 48 hours and respond/resolve the query within 10 working days of receipt.

## Annual General Meeting (AGM)

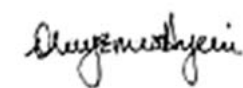
The AGM is the principal opportunity for the Board to meet shareholders and explain the Company's progress and to answer any questions raised. The Notice of AGM is dispatched to all shareholders and published in two leading national newspapers and on our website, at least 21 working days before the AGM is held.

## Conflict of Interest and related-party transactions

The Board maintains procedures to ensure that related-party transaction and potential conflicts of interest are identified, disclosed and managed. Details of the related-party transactions during the year is set out on page 90.

## Shareholders' Interest and Relations

The Board ensures the protection of the statutory and general rights of shareholders at all times particularly their rights to vote at the general meetings. All shareholders, regardless of volume of shareholding or social status are treated equally. The Company has an Investor Relations Unit that manages effective two-way communications with our investors.



**'Yemisi Ayeni**  
Chairperson

# Board & Committee Structure

## Board of Directors

'Yemisi Ayeni (c)  
Paul Farrer  
Fatima Aliko-Dangote  
Olakunle Alake  
Halima Aliko-Dangote  
Abdu Dantata  
Sada Ladan-Baki  
Chris Ogbechie  
Knut Ulvmoen  
Fatima Wali-Abdurrahman

## Establishment and General Purpose Committee

Knut Ulvmoen (c)  
Paul Farrer  
Fatima Aliko-Dangote  
Halima Aliko-Dangote  
Fatima Wali-Abdurrahman

## Finance, Audit and Risk Committee

Chris Ogbechie (c)  
Paul Farrer  
Fatima Aliko-Dangote  
Olakunle Alake  
Halima Aliko-Dangote  
Abdu Dantata  
Sada Ladan-Baki

## Management Committee

Paul Farrer (c)  
Fatima Aliko-Dangote  
Aderemi Saka  
Gerhard Scheepers  
Olushola Shosanya  
Rabiu Mohammed  
Olufemi Ashipa  
Nura Shuaibu  
Rabi Adamu  
Bayo Babalola  
Patrick Mogaha  
Adewale Akinwale  
Tunde Iwamofe  
Adedayo Samuel

## Statutory Audit Committee

Okey Nwuke (c)  
Umar Farouk  
Kudaisi Ayodele Sarat  
Halima Aliko-Dangote  
Abdu Dantata  
Chris Ogbechie



## Board of Directors



**Abdu Dantata**  
Director

**Fatima Aliko-Dangote**  
Executive Director

**Knut Ulvmoen**  
Director

**Sada Ladan-Baki**  
Director

**Halima Aliko-Dangote**  
Director

**Chris Ogbechie**  
Director

**Fatima Wali-Abdurrahman**  
Director

**Paul Farrer**  
Managing Director

**'Yemisi Ayeni**  
Chairperson

**Olakunle Alake**  
Director



## Board of Directors



### **Yemisi Ayeni** | Chairperson

Yemisi is the immediate past Managing Director, Shell Nig. Closed Pension Fund Administrator Ltd, a position she held for 10 years. She was also a Council Member of the Nigerian Stock Exchange and was recently appointed as a Non-Executive Director on the Board of Stanbic-IBTC Pension Managers Ltd., and an Executive Board Member of Women in Management and Business (WIMBIZ). A graduate of Economics (Specialising in Accounting and Business Finance) from the University of Manchester, UK, she is also a member of the Institute of Chartered Accountants in England and Wales. She started her career with Price Waterhouse, London in 1985, relocated to their Lagos office in 1991 and joined Shell Nigeria in 1994. She held a wide variety of roles in various Shell companies, including her being Finance Director of SNEPCo.



### **Paul Farrer** | Managing Director

Paul joined NASCON as Managing Director in 2015, having previously been the Chief Operating Officer and Group Executive Director of Food Concepts Plc. His experience in the foods business spans 20 years in the South and West African markets; in international companies such as TGI Fridays (Americana Group), Steers Holdings – Debonairs Pizza, Famous Brands and Innscor International. He is an alumnus of East London Technical College, South Africa.



### **Fatima Aliko-Dangote** | Executive Director, Commercial

Fatima joined the Dangote Group in 2014 as the Special Assistant to the Managing Director-Cement and later worked as a Group Corporate Strategy Specialist. In this latter role, she provided planning and analytical support across all the Business Units of the Dangote Group. She holds a Bachelor's degree in Law from the University of Surrey in the UK. Fatima has been called to the Nigerian Bar, and has worked as an Associate at Banwo and Ighodalo Legal Chambers, on areas related to capital markets, intellectual property, and energy. She was appointed to the Board in 11th of March, 2016.

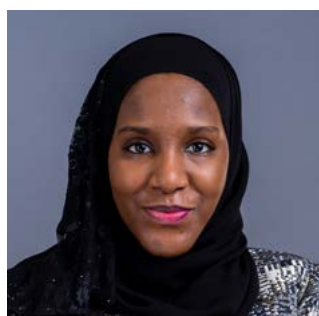


### **Olakunle Alake** | Director

Olakunle is Chief Operating Officer of Dangote Industries. He was appointed to the Board of Dangote Industries in 2001 and has since been instrumental to the growth of the parent company and its subsidiaries.

He holds a Bachelor's degree in Civil Engineering from Obafemi Awolowo University Ile-Ife (1983) and is a Fellow of the Institute of Chartered Accountants of Nigeria.

He joined Dangote Industries in 1990, after six years at PWC. He has held several management positions in Dangote Industries, including Financial Controller and Head of Strategic Services. He has deep finance and accounting experience and brings substantial experience in finance, mergers and acquisitions to the Board.



### **Halima Aliko-Dangote** | Director

Halima holds a Bachelor's Degree in Marketing from the American Intercontinental University, London, United Kingdom and a MBA from Webster Business School, London, also in the UK. She started her career as a business analyst with KPMG Professional Services in Lagos, Nigeria, before she joined Dangote Industries Limited in 2010. She has held a number of key roles at Dangote Industries including Special Assistant to the President/Chief Executive.

She is currently the Executive Director in charge of Commercial activities at Dangote Flour Mills. She resigned as Executive Director at NASCON in February 2016 but remains on the Board as a Director.

## Board of Directors



### **Abdu Dantata** | Director

Abdu is the Executive Director in charge of Logistics and Distribution for Dangote Industries Limited, a position he has held since the Group was established more than 20 years ago. He is also the Chairman of Agad Nigeria Limited, a trading and transportation Company operating throughout Nigeria.

He is a fellow of the Nigerian Institute of Shipping. He brings his extensive experience in sales, logistics and distribution to Board.



### **Sada Ladan-Baki** | Director

Sada's experience spans thirty years in public service and fund administration.

He sits on the board of several companies and belongs to many professional associations including the Institute of Logistics and Distribution (Chartered Fellow) and the Nigerian Institute of Marketing (Chartered Member).

He is a graduate of Economics with an MBA from Ahmadu Bello University, Zaria.



### **Chris Ogbechie** | Independent Director

Chris has wide experience in marketing, strategy and corporate governance derived from his work as Head of Marketing/Sales at Nestle Nigeria and from his consulting work with Nigerian, Ghanaian and Kenyan firms over the years. He is the Director of First bank Sustainability Centre, Lagos Business School and Chairman, Board of Directors, Diamond Bank Plc.

He teaches strategy and corporate governance at the Lagos business School and Strathmore Business School in Nairobi, Kenya. Chris has a first-class honours degree in Mechanical Engineering from Manchester University, an MBA from Manchester Business School and a PhD in Business Administration from Brunel Business School in the UK.



### **Knut Ulvmoen** | Director

Knut joined Dangote in 1996 as the Finance Director. He is a management professional with extensive background in finance and administration of multinational companies including Revisor-Centret, Norcem Group, Bulkem and Scancem.

He has been instrumental in moving the Group from import and trading into a manufacturing conglomerate with tentacles across the African continent. He holds a Master's of Science degree in Business and is a Member of the Norwegian Association of Authorised Accountants.



### **Fatima Wali-Abdurrahman** | Independent Director

Fatima is an architect, real estate developer and management professional. She is currently the Chief Executive Officer of the Filmo Group and Deputy President of the Housing Finance Professionals Association of Nigeria. She serves on the boards of NMRC (Nigeria Mortgage Refinance Co.) and the Advisory Board of the Chapel Hill Denham Fund for Women. She was recently appointed a member of the Board of Directors of the OANDO Foundation, is a WIMBOARD Lead Ambassador (WIMBIZ Initiative) and a member of the Presidential Committee for Flood Relief and Rehabilitation. A graduate of both Architecture and Urban Studies from the University of Minnesota, U.S.A., she holds a M.Sc. (Arch.) in Economics and Management of Construction from the University of London.



## Report of the Directors



The Directors are pleased to submit their report together with the audited financial statements of the Company for the year ended December 31, 2016.

Having considered all the matters reviewed and brought before the Board, the Board is satisfied that the Annual Report represents a fair, balanced and realistic view of events during the 2016 financial year.

### Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company in accordance with Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004.

In doing so, they ensure that:

- proper accounting records are maintained;
- applicable accounting statements are followed;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable and prudent;
- the going concern basis is used, unless it is inappropriate to presume that the Company will continue in business;
- internal control procedures are instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

### Legal form

The Company was incorporated on April 30, 1973 as a limited liability company. The shares are currently quoted on the Stock Exchange.

### Principal Activities

The principal activities of the company during the year include processing of raw salt into refined, edible and industrial salt. The company also produce seasoning, tomato paste and vegetable oil, operating principally in Nigeria.

### Business Review

The Business Review comprises of the following, each of which are incorporated by reference into, and forms part of this Report of the Directors:

- The Chairperson's Statement on page 8
- The MD Review on pages 24 to 25
- The CFO Review on pages 26 to 29
- The Corporate Governance Report on pages 32 to 34
- The Risk Management Report on pages 18 to 21

### Results of the Year and Dividend

Net profit of the Company after taxation of 2016 is ₦2,415,183,000. Proposed final dividend for 2016 is ₦1,854,606,865

### Unclaimed Dividends

The total amount outstanding as at 31 December, 2016 is ₦580.97million. A summary of the report is on page 94. list of unclaimed dividends is available on the company website- www.nasconplc.com. The company notes that some dividend warrants have remained unclaimed, therefore all shareholders with unclaimed dividends should address their claims to the Registrars- Meristem Registrars and take advantage of the e-dividend by completing the form included in page 100.

### Directors

The appointment, removal or re-appointments of Directors is governed by the Company's Articles of Association and the Companies and Allied Matters Act (CAMA) LFN 2004. These documents also set out the rights and obligations of the Directors. NASCON Allied Industries Plc. as at the date of this report, has 10 Directors. Their biographies are contained in pages 38 to 39

The Directors of the company during the year and to the date of this report are as follows:

'Yemisi Ayeni	Chairperson
Paul Farrer	Managing Director
Fatima Aliko-Dangote	Executive Director
Olakunle Alake	
Halima Aliko-Dangote	
Abdu Dantata	
Sada Ladan-Baki	
Chris Ogbechie	
Knut Ulvmoen	
Fatima Wali-Abdurrahman	

## Report of the Directors

### Rotation of Directors

By virtue of Section 259 (1)&(2) of the Companies And Allied Matters Act Of Nigeria, Cap C20 Lfn 2004, one-third of the Directors of the Company who have been longest in office since their last election shall retire from office and in accordance with this section, Knut Ulvmoen, Abdu Dantata and Sada Ladan-Baki are retiring by rotation and being eligible, offer themselves for re-election.

No Directors' has a service contract not determinable within five years.

### Director' Interests

The Directors' interests in the issued share capital of the Company as recorded in the register of members and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, are as follows in the table below.

### Substantial interest in shares

The Registrar has advised that according to the Register of Members on December 31, 2016, Dangote Industries Limited with 1,647,763,557 ordinary shares of 50k each and Stanbic IBTC Nominees Limited with 135,634,368 ordinary shares of 50k each held more than (5%) of the issued share capital of the Company.

### Free Float

All shares other than shares held by Dangote Industries Limited, Aliko Dangote, Sani Dangote, Olakunle Alake and Sada Ladan-Baki are considered to be free float shares. The current free float is 37.47%.

### Share Capital History

All issued shares are fully paid and no additional shares were issued in 2016. Details of the share capital history are set out on page 95.

### Corporate governance

- The Company is committed to the best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.
- Members of the Board of Directors hold quarterly meetings to decide on policy matters and direct the affairs of the Company, review its performance, its operations, finance and formulate growth strategy.

Attendance at Directors' meetings is impressive. In line with provisions of section 258(2) of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the record of Directors' attendance at Boarding Meetings is available for inspection at the Annual General Meeting.

- The remuneration of the Executive Directors is fixed.
- The Board of Directors consists of 10 members; The Chairperson, 2 Executive Directors and 7 Directors.
- Appointment to the Board is made by shareholders at the Annual General Meeting upon retirement of a Director.
- The Board, from time to time, routinely empowers committees to examine and deliberate on finance and establishment related issues.

### Non-current assets

Movements in Property, Plant and Equipment during the year are shown in Note 19 to the financial statements. In the opinion of the Directors, the market value of the company's properties is not less than the value shown in the financial statements.

### Events after the reporting period

There were no significant developments since the balance sheet date which could have had a material effect on the state of affairs of the Company as at December 31, 2016 and the profit for the year ended on that date, which have not been adequately recognized.

### Directors Shareholding

	As at December 31, 2015	As at December 31, 2016	As at March 31, 2017
(a) 'Yemisi Ayeni	-	-	-
(b) Paul Farrer	-	-	-
(c) Fatima Aliko-Dangote	-	-	-
(d) Olakunle Alake	4,170,000	4,419,959	4,419,959
(e) Halima Aliko-Dangote	-	-	-
(f) Abdu Dantata	2,000,000	2,000,000	2,000,000
(g) Sada Ladan-Baki	2,758,673	2,758,673	2,758,673
(h) Knut Ulvmoen	-	-	-
(i) Chris Ogbechie	-	-	-
(j) Fatima Wali Abdurrahman	-	-	-

## Report of the Directors'

### Company Distributors

The company's products are distributed by distributors in 50kg bags across the country, who redistribute to wholesalers, confectioners, supermarkets and retailers. Salt retail packs come in various sizes of 250g, 500g and 1kg and are sold under the brand name "Dangote Refined Salt". Seasoning is sold under the brand name "Dan-Q", Tomato Paste as "Dangote Tomato Paste" and Vegetable Oil sold as "Dangote Vegetable Oil".

### Suppliers

The Company obtains its materials at arm's length basis from overseas and local suppliers. Amongst our main overseas and local suppliers are Salinor, from who we purchase raw salt and Dangote Agrosacks Limited, who provides us with packaging.

### Donations

No donations were made in 2016 as all CSR activities are carried out by Dangote Foundation on behalf of the companies within the Dangote Group.

### Audit committee

The Company, pursuant to Section 359(3) of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 has put in place a Statutory Audit Committee comprising three shareholders and three Directors as follows:

Okey Nwuke	Chairman/Shareholder
Umar Farouk	Shareholder
Kudaisi Ayodele Sarat	Shareholder
Halima Aliko-Dangote	Director
Abdu Dantata	Director
Chris Ogbechie	Director

### Analysis of shareholdings

Analysis of shareholdings as at December 31, 2016

Range	No. of Holders	Percent	Units	Percent
1 - 1,000	19,849	57.93	8,008,152	0.30
1,001 - 5,000	6,529	19.06	16,334,590	0.62
5,001 - 10,000	2,443	7.13	17,410,585	0.66
10,001 - 50,000	3,965	11.57	85,627,311	3.23
50,001 - 100,000	695	2.03	51,231,920	1.93
100,001 - 500,000	591	1.72	123,568,876	4.66
500,001 - 1,000,000	82	0.24	58,197,552	2.20
1,000,001 - 5,000,000	83	0.24	164,302,231	6.20
5,000,001 - 10,000,000	11	0.03	78,195,642	2.95
10,000,001 and above	13	0.04	2,046,561,519	77.25
	<b>34,261</b>	<b>100</b>	<b>2,649,438,378</b>	<b>100</b>

### Auditors

Messrs Akintola Williams Deloitte (Chartered Accountants) have indicated their willingness to continue in office as the Company's Auditors in accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004. A resolution will be proposed authorising the Directors' to fix their remuneration

By Order of the Board



**Adedayo A. Samuel**

Company Secretary  
FRC/2016/NBA/00000015291

1, Alfred Rewane Road,  
Ikoyi, Lagos

Nigeria

Tuesday, March 28, 2017



**"We are committed to the best practice and procedures in corporate governance. Our business is conducted in a fair, honest and transparent manner which conforms to high ethical standards."**



  
DANGOTE  
**Salt**  
*Refined & Iodized*



it's not just salt, its

Focus on  
**Financials**





## Statutory Audit Committee Report

In accordance with Section 359 (6) of the Companies and Allied Matters Act, Cap C20 LFN 2004 and Section 30.4 of the SEC Code, the members of the Statutory Audit Committee of NASCON Allied Industries Plc hereby report as follows:

We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, Cap C20 LFN 2004 and we acknowledge the cooperation of the Board, management and staff in the conduct of these responsibilities. After careful consideration of the report of the external auditors, we accepted the report that the financial statements give a true and fair view of the state of the Company's financial affairs as at 31st December, 2016.

We confirm that:

- I. The accounting and reporting policies of the Company are in accordance with legal and regulatory requirements as well as agreed ethical practices
- II. We reviewed the scope and planning of audit requirements and found them adequate
- III. We reviewed the findings on the management letter prepared by the external auditors and found management responses to the findings satisfactory
- IV. The accounting and internal controls system is constantly and effectively being monitored through an effective internal audit function
- V. We made recommendations to the Board on the re-appointment and remuneration of the external auditors and also reviewed the provision made in the Financial Statements for the remuneration of the external auditors; and
- VI. We considered that the external auditors are independent and qualified to perform their duties effectively.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31st December, 2016 and the External Auditors' report thereon be presented for adoption at this Annual General Meeting.

**Mr. Okey Nwuke**

Chairman, Statutory Audit Committee

FRC/2017/ICAN/00000016523

March 29, 2017

Dr. Umar Farouk	Shareholders' Representative
Alhaja Kudaisi Ayodele Sarat	Shareholders' Representative
Ms. Halima Aliko-Dangote	Director
Abdu Dantata	Director
Dr. Chris Ogbechie	Director



## Statements of Management's Responsibilities for the Preparation and Approval of the Financial statements

The Directors of NASCON Allied Industries Plc are responsible for the preparation of the Financial statements that give a true and fair view of the financial position of the Company as at December 31, 2016, and the results of its operations, statement of cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards and in the manner required by Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the Financial Reporting Council Of Nigeria Act.

In preparing the consolidated Financial statements, the Directors' are responsible for:

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

The Directors' are responsible for:

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

The financial statements of the Company set out on pages 51 to 91, for the year ended December 31, 2016, were approved by the board on March 28, 2017

**Signed on behalf of the Board of Directors By:**

**Yemisi Ayeni**

Chairperson

FRC/2013/IODN/00000003173

**Paul Farrer**

Managing Director

FRC/2016/IODN/00000015797



## Independent Auditor's Report

### Opinion

We have audited the accompanying financial statements of NASCON Allied Industries Plc which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of NASCON Allied Industries Plc as at 31 December 2016 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<b>Measurement of Raw Salt Inventory</b>	
The main raw material used by the Company for the production of Salt product is raw salt. The nature of raw salt as well as the way it is stored by the company makes the determination of quantity and assessment of estimated normal loss complex.	Our audit procedures incorporated a combination of test of the Company's controls relating measurement and valuation of raw salt.
The Company relies on the quantities of raw salt measured by an independent inspection company at the point of receipt and quantities issued from the stores to production to determine the closing quantity of raw salt. No formal measurement is done at year end to determine the physical quantities.	Our substantive procedures to address this risk included the following: <ul style="list-style-type: none"> <li>We confirmed the accuracy of the physical quantity used in valuation of raw salt by re-computing the expected closing quantity using audited opening balance, purchases and quantity issued to production.</li> <li>We compared the expected closing quantity with the recorded quantity at year end; the difference noted was compared with our calculated threshold.</li> <li>The quantity of raw salt purchased during the year was agreed to the quantity stated in the certificate from independent inspection company that measured the salt when they were received.</li> </ul>
Accordingly, for the purposes of our audit, we identified valuation of raw salt as representing significant risk of material misstatement because of possible use of wrong quantity in the valuation.	<ul style="list-style-type: none"> <li>We recomputed the quantity issued to production by adding expected normal loss to quantity produced. We tested the accuracy of quantity produced, we obtained from production department by agreeing it to daily production register maintained at the stores, which records the quantity produced received in stores.</li> </ul>
As at the year end, the value of raw salt included in raw material balance disclosed in Note 22 was N1.3 billion.	

## Independent Auditor's Report

Key Audit Matter	How the matter was addressed in the audit
<b>Measurement of Raw Salt Inventory</b>	<ul style="list-style-type: none"> <li>To confirm the accuracy of the unit cost used for valuation, we recomputed the weighted average costs (WAC) and compared with unit costs adopted in the valuation.</li> </ul> <p>Our audit test did not reveal any material misstatements.</p>

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related

## Independent Auditor's Report

disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- The Company has kept proper books of account, so far as appears from our examination of those books.
- The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



**Jelili Adebisi, FCA**  
 FRC/2013/000000004247  
 For: Akintola Williams Deloitte  
 Chartered Accountants  
 Lagos, Nigeria  
 30 March, 2017



## Statement of Profit or Loss and Other Comprehensive Income

		2016 N'000	2015 N'000
Revenue	5	18,291,792	16,178,197
Cost of sales	7	(12,375,018)	(11,819,079)
<b>Gross profit</b>		<b>5,916,774</b>	<b>4,359,118</b>
Other income	9	18,484	160,997
Distribution costs	10.2	(638,189)	(218,622)
Administrative expenses	10.1	(1,478,395)	(1,273,122)
<b>Operating profit</b>	<b>15</b>	<b>3,818,674</b>	<b>3,028,371</b>
Investment income	8	55,328	9,258
Finance costs	13	(357,671)	(20,065)
<b>Profit before taxation</b>		<b>3,516,331</b>	<b>3,017,564</b>
Taxation	16	(1,101,148)	(911,918)
<b>Profit for the year</b>		<b>2,415,183</b>	<b>2,105,646</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,415,183</b>	<b>2,105,646</b>
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic earnings per share (Kobo)	18	91	79

The accounting policies on pages 55 to 65 and the notes on pages 66 to 91 form an integral part of the financial statements.







## Statement of Financial Position as at December 31, 2016

	Note	2016 N'000	2015 N'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	6,346,688	6,759,039
Intangible assets	20	47,374	141,184
Other assets	21	5,513	9,188
		<b>6,399,575</b>	<b>6,909,411</b>
<b>Current Assets</b>			
Inventories	22	2,720,232	1,933,001
Trade and other receivables	23	10,178,751	4,852,546
Other assets	21	2,812,640	51,175
Cash and bank balances	24	2,492,069	2,548,693
		<b>18,203,692</b>	<b>9,385,415</b>
<b>Total Assets</b>		<b>24,603,267</b>	<b>16,294,826</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	25	1,324,719	1,324,719
Share premium	26	434,037	434,037
Retained earnings	27	6,287,470	5,329,478
		<b>8,046,226</b>	<b>7,088,234</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	29	38,570	38,570
Retirement benefit obligation	30	249,635	300,514
Deferred tax	17	1,143,881	916,009
		<b>1,432,087</b>	<b>1,255,093</b>
<b>Current Liabilities</b>			
Bank overdraft	24	-	5,236
Trade and other payables	31	14,252,729	7,417,101
Current tax liabilities	16	872,225	529,162
		<b>15,124,954</b>	<b>7,951,499</b>
<b>Total Liabilities</b>		<b>16,557,041</b>	<b>9,206,592</b>
<b>Total Equity and Liabilities</b>		<b>24,603,267</b>	<b>16,294,826</b>

The financial statements and the notes on pages 51 to 90, were approved by the board on the March 28, 2017 and were signed on its behalf by:

Yemisi Ayeni  
Chairperson  
FRC/2013/IODN/00000003173

Paul Farrer  
Managing Director  
FRC/2016/IODN/00000015797

Tunde Ilwamofe  
Finance Controller  
FRC/2013/ICAN/00000002247

The accounting policies on pages 55 to 65, and the notes on pages 66 to 91 form an integral part of the financial



## Statement of Changes in Equity

	Share capital N'000	Share premium N'000	Retained income N'000	Total equity N'000
<b>Balance at January 1, 2015</b>	<b>1,324,719</b>	<b>434,037</b>	<b>4,548,551</b>	<b>6,307,307</b>
Profit for the year	-	-	2,105,646	2,105,646
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,105,646</b>	<b>2,105,646</b>
Dividends	-	-	(1,324,719)	(1,324,719)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(1,324,719)</b>	<b>(1,324,719)</b>
<b>Balance at January 1, 2016</b>	<b>1,324,719</b>	<b>434,037</b>	<b>5,329,478</b>	<b>7,088,234</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>2,415,183</b>	<b>2,415,183</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,415,183</b>	<b>2,415,183</b>
Dividends	-	-	(1,457,191)	(1,457,191)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(1,457,191)</b>	<b>(1,457,191)</b>
<b>Balance at December 31, 2016</b>	<b>1,324,719</b>	<b>434,037</b>	<b>6,287,470</b>	<b>8,046,226</b>

The accounting policies on pages 55 to 65, and the notes on pages 66 to 91 form an integral part of the financial statements.

## Statement of Cash Flows

	Note(s)	2016 N'000	2015 N'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		18,509,103	11,748,633
Cash paid to suppliers and employees		(15,740,395)	(6,984,358)
Cash generated from operations	32	2,768,708	4,764,275
Tax paid	16	(530,212)	(756,507)
<b>Net cash provided from operating activities</b>		<b>2,238,496</b>	<b>4,007,768</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	19	(535,361)	(1,015,233)
Proceed from sale of property, plant and equipment		5,011	3,933
Interest received		55,328	9,258
<b>Net cash used in investing activities</b>		<b>(475,022)</b>	<b>(1,002,042)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	28	(1,457,191)	(1,324,719)
Interest paid	13	(357,671)	(20,065)
<b>Net cash used in financing activities</b>		<b>(1,814,862)</b>	<b>(1,344,784)</b>
<b>Cash and cash equivalents for the year</b>		<b>(51,388)</b>	<b>1,660,942</b>
Cash and cash equivalents at 1 January		2,543,457	882,515
<b>Total cash and cash equivalents at end of the year</b>	<b>24</b>	<b>2,492,069</b>	<b>2,543,457</b>

The accounting policies on pages 55 to 65, and the notes on pages 66 to 91 form an integral part of the financial statements.

## Accounting Policies

### 1 General information

NASCON Allied Industries Plc (Formerly known as National Salt Company of Nigeria.) was incorporated in Nigeria as a limited liability company on 30 April 1973. It was fully privatised in April, 1992 and became listed on the Nigerian Stock Exchange on 20 October, 1992. At a general meeting held on 29 September 2006, the shareholders approved the acquisition of the assets, liabilities and business undertakings of Dangote Salt Limited and the issue and allotment of additional NASCON PLC shares as the purchase consideration. The major shareholder of the Company is Dangote Industries Limited that owns 62.19% of the issued share capital, while the remaining 37.81% is held by the Nigerian public.

The ultimate holding company is Greenview International Corporation

The registered address of the Company is located at Salt City, Ijoko Ota, Ogun State.

### 1.1 The principal activity

The principal activity of the Company is the refining and sale of edible, refined, bulk and industrial salt, Tomato paste, Vegetable Oil as well as Seasoning. The Company's products are sold through distributors across the country.

### 1.2 Financial period

The financial statements cover the financial year from January 1, 2016 to December 31, 2016 with comparatives for the year ended December 31, 2015.

### 1.3 Going concern status

The Company has consistently turned in Profits since 2007. The Directors' believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseeable future. Thus, these Financial Statements are prepared on a going concern basis.

### 2 Significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Statement of Compliance with IFRS

The Financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements.

### 2.2 Basis of measurement

The Financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at





## Accounting Policies

the measurement date;

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

### 2.3 Functional and presentation currency

These Financial Statements are presented in Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand.

#### 2.3.1 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Naira, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Naira by applying to the foreign currency amount the exchange rate between the Naira and the foreign currency at the date of the cash flow.

### 2.4 Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, after deducting discounts, customer returns, VAT, volume rebates and other similar allowance. Sales are stated at their invoiced amount which is net of value added taxes and discounts.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered (or collected, if sold under self collection terms) and legal title is passed.

### 2.5 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal



## Accounting Policies

outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 2.6 Employee benefits

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### 2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates at the reporting sheet date. Education tax is assessed at 2% of the assessable profits.

#### Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in Profit and Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.8 Property, plant and equipment

#### 2.8.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Fixed assets under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statement of comprehensive

# Accounting Policies

income.

## 2.8.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

## 2.8.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative year are as follows:

Buildings	2%
Plant and machinery	6.67%
Furniture and fittings	20%
Motor vehicles	25%
Tools and equipment	25%
Computer equipment	33.3%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

## 2.9 Leases

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rentals are expensed in the period they are incurred.

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In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Where there are no agreed lease terms, rent payable is recognised as incurred.

## 2.10 Intangible assets

The amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### Derecognition of intangible assets

An intangible assets is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in Profit or Loss when the asset is derecognised.

### Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and Intangible Assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of engineering spares and consumable stock is determined on a weighted average basis. Cost of other stock (raw materials, packaging materials, work-in-progress and finished goods) is determined on the basis of standard costs adjusted for variances. Standard costs are periodically reviewed to approximate actual costs.

Goods in transit are valued at the invoice price. Cost of inventories comprises of all costs of purchase, conversion cost (materials, labour and overhead) and other costs incurred to bring inventories to their present location and condition.

Finished goods, which include direct labour and factory overheads, are valued at standard cost adjusted at year-end on an actual cost basis.







## Accounting Policies

Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on an average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 2.12 Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation (when the time value of money is material).

The amount recognised as provision is the present value of the expenditure expected to be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

If Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### 2.12.1 Environmental costs

Costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, and those costs incurred to mitigate or prevent future environmental contamination are capitalized. When the Company's management determine that it is probable that a liability for environmental costs exists and that its resolution will result in an outflow of resources, an estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only virtually certain insurance recoveries are recognized as an asset on the statement of financial position). When the Company does not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

### 2.13 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Classification

The Company classifies financial assets into the following specified categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets

Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation



## Accounting Policies

or convention in the market place. The Company's financial assets comprise loans and receivables.

#### Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability (debt) or an equity instrument in accordance with the substance of the contractual arrangement.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses recognised in profit or loss include interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### Financial instruments designated as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, at each reporting date the Company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For all categories of financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.



## Accounting Policies

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

### Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Company derecognises financial liabilities when, and only when the 0.73 billion's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid, and payable is recognised in 0.74 billion

### Cash and cash equivalents

Cash and cash equivalents consist of cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

### Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly estimates future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other



## Accounting Policies

premiums or discounts) through the expected life of the financial liability, or (where appropriate), a shorter period, to the net carrying amount on initial recognition

### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' (FVTPL) or other liabilities. Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term or on initial recognition;
- it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking;
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided on that basis; or it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses' line item.

### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

### Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when the Company's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid, and payable is recognised in profit or loss.

These include loans to and from holding companies, fellow subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against





## Accounting Policies

operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### 2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 2.15 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds and the fair value of the loan based on prevailing market interest rates.

## 3 Critical accounting judgement and key sources of estimation uncertainty

In the application of the Company's significant accounting policies, described in Note 3, the Directors' are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### 3.2 Useful life of property, plant and equipment

The Company reviewed and revised the estimated useful lives of its property, plant and equipment on transition to IFRS on 1 January, 2011, and under IFRS, has reviewed them annually at each reporting date. Useful lives are estimated based on the engineer's report, as at each reporting date. Some of the factors considered include the current service potential of the assets, potential cost of repairs and maintenance.

There is a degree of subjective judgment in such estimation which has a resultant impact on profit and total comprehensive



## Accounting Policies

income for the year.

### 3.3 Allowances for credit losses

The Company periodically assesses its trade receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of management, judgment is exercised in determining the allowances made for credit losses.

Provisions are made for receivables that have been outstanding for 365 days, in respect of which there is no firm commitment to pay by the customer.

Furthermore all balances are reviewed for evidence of impairment and provided against once recovery is doubtful. These assessments are subjective and involve a significant element of judgment by management on the ultimate recoverability of amounts receivable.



## Notes to the Financial Statements for the year ended December 31, 2016

### 4. New Standards and Interpretations

#### 4.1 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the company has adopted a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.:

#### Annual Improvements to IFRSs 2012 - 2014 cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held to sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendment to IAS 19 clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of the market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Company's consolidated financial statements.

#### Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

The effective date of the amendments is for years beginning on or after January 1, 2016.

The company has adopted the amendments for the first time in the 2016 financial statements.

#### Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment to IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Company's financial statements.

#### Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance



## Notes to the Financial Statements for the year ended December 31, 2016

with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the Company's financial statements as the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

#### Amendments to IAS1: Disclosure initiatives

The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

#### Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The application of these amendments has had no impact on the Company's financial statements as the Company is not engaged in agricultural activities.

### 4.2 New and revised IFRSs in issue but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2017 and early application is permitted; however, the Company has not applied the new or amended standards in preparing these financial statements.

Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company are set out below:

#### Amendments to IAS 7: Disclosure Initiative

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from financing activities.

The Company will adopt the amendments for the year ending 31 December 2017.

#### Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.





## Notes to the Financial Statements for the year ended December 31, 2016

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendment is not expected to have any significant impact on the financial statements of the Company. The Company will adopt the amendments for the year ending 31 December 2017.

### IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

### IFRS 15: Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.”

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

### Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements.

The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

- Measurement of cash-settled share-based payments
- Classification of share-based payments settled net of tax withholdings
- Accounting for a modification of a share-based payment from cash-settled to equity-settled

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The Company will adopt the amendments for the year ending 31 December 2018.



## Notes to the Financial Statements for the year ended December 31, 2016

### IFRIC 22: Foreign currency transactions and advance consideration

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarify that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when a Company:

- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

The effective date of the amendment is for years beginning on or after January 1, 2018.

The company expects to adopt the amendment for the first time in the 2018 financial statements.

### Amendments to IAS 40: Transfers of Investment Property

The IASB has amended the requirements of IAS 40 Investment Property on when a Company should transfer a property to, or from, investment property.

The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.

A company has a choice on transition to apply:

- the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or
- the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The effective date of the amendment is for years beginning on or after July 1, 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

### IFRS 16: Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

## Notes to the Financial Statements for the year ended December 31, 2016

	2016 N'000	2015 N'000
<b>5. Revenue</b>		
Revenue (Note 5.1)	15,855,872	14,207,146
Freight income	2,435,920	1,971,051
	<b>18,291,792</b>	<b>16,178,197</b>

**5.1** The amount represents revenue realised during the year on the sale of edible, refined, bulk, industrial salt as well as Seasoning, Tomato Paste and Vegetable Oil.

**5.2** None of the major customers contributed up to 10% of the total revenue earned in the year ended December 31, 2016.

Our customers include leading blue chip companies in Nigeria, such as manufacturers of confectioneries, seasonings, refined edible oil, processed leather, noodles and oil industries. They buy industrial salts of different grades and specifications.

**5.3** The Company provides freight services to customers by transporting Salt, Tomato Paste and Vegetable Oil purchased to their destinations. Freight income represents revenue earned in respect to this during the year. The associated cost of running the freight services is rendered in cost of sales.

### Distributors

The Company sells its products directly to distributors who redistribute to small wholesalers, confectioners, supermarkets and retailers. Salt retail packs come in various sizes 250g, 500g and 1kg and are sold under the brand name DANGOTE REFINED SALT. Seasoning are sold under the brand name DANQ, Tomato Paste sold as DANGOTE TOMATO PASTE and Vegetable Oil sold as DANGOTE VEGETABLE OIL.

### 6. Segmental information

The company has identified reportable segments which represent the structure used by the Management to make key operating decisions and assess performance.

The company's reportable segments are treated as operating segments which are differentiated by the activities that each undertake, the products they manufacture and the markets they operate in.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

### Segmental revenue and results

The Management assesses the performance of the operating segments based on the measure of EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructure costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to operating segments, as this type of activity is driven by the central treasury function. The results of discontinued operations are not included in the measure of EBITDA. This measure is consistent with all prior periods which are presented.

Transactions within related company take place at arms length.

The segment information provided from the Management is presented below. The information presented includes a reconciliation of the company's EBITDA to net profit before tax and discontinued operations.

## Notes to the Financial Statements for the year ended December 31, 2016

2016	Segment revenue N'000	Segment Cost of sales N'000	Segment Profit N'000
Salt	14,823,697	(8,207,573)	6,616,124
Seasoning	544,458	(453,779)	90,679
Tomato Paste	8,342	(50,386)	(42,044)
Vegetable Oil	479,375	(701,411)	(222,036)
Freight income	2,435,920	(2,961,869)	(525,949)
<b>Total</b>	<b>18,291,792</b>	<b>(12,375,018)</b>	<b>5,916,774</b>

2015	Segment revenue N'000	Segment Cost of sales N'000	Segment Profit N'000
Salt	11,912,111	(7,422,091)	4,490,020
Seasoning	239,355	(323,225)	(83,870)
Tomato Paste	541,331	(770,845)	(229,514)
Vegetable Oil	1,514,349	(1,612,777)	(98,428)
Freight income	1,971,051	(1,690,141)	280,910
<b>Total</b>	<b>16,178,197</b>	<b>(11,819,079)</b>	<b>4,359,118</b>

### Segment assets and liabilities

The amounts provided to the Management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investments in shares held by the company and deferred tax assets are not considered to be segment assets and are not allocated to segments.

Capital expenditure reflects additions to non-current assets, other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts.

The amounts provided to the Management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The company's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the company's treasury function.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position.





## Notes to the Financial Statements for the year ended December 31, 2016

2016	Total assets N'000	Total liabilities N'000
Salt	19,219,804	14,660,207
Seasoning	2,041,329	254,865
Tomato Paste	548,244	-
Vegetable oil	2,245,837	-
Freight	548,053	248,453
<b>Total</b>	<b>24,603,267</b>	<b>15,163,525</b>
<b>Unallocated</b>		
Retirement benefit obligation	-	249,635
Deferred tax	-	1,143,881
<b>Total as per statement of financial position</b>	<b>24,603,267</b>	<b>16,557,041</b>
<b>2015</b>	<b>Total assets N'000</b>	<b>Total liabilities N'000</b>
Salt	11,419,549	6,947,443
Seasoning	1,041,329	142,977
Tomato Paste	586,985	2,932
Vegetable oil	2,404,536	791,264
Freight	842,427	105,453
<b>Total</b>	<b>16,294,826</b>	<b>7,990,069</b>
<b>Unallocated</b>		
Retirement benefit obligation	-	300,514
Deferred tax	-	916,009
<b>Total as per statement of financial position</b>	<b>16,294,826</b>	<b>9,206,592</b>
<b>Geographical information</b>	<b>2016 Revenue by location of customer N'000</b>	<b>2015 Revenue by location of customer N'000</b>
East	1,178,218	1,042,076
West	5,091,447	4,503,136
North	12,022,127	10,632,985
<b>Total</b>	<b>18,291,792</b>	<b>16,178,197</b>



## Notes to the Financial Statements for the year ended December 31, 2016

7. Cost of sales	2016 N'000	2015 N'000
Direct material cost	7,231,144	7,588,592
Direct labour cost	823,370	871,165
External haulage	2,535,489	1,690,141
Depreciation	767,389	743,405
Loading	108,048	91,961
Manufacturing expenses	909,578	833,815
	<b>12,375,018</b>	<b>11,819,079</b>
<b>8. Investment income</b>		
<b>Interest income</b>		
Bank deposits	340	675
Fixed deposit	54,988	8,583
	<b>55,328</b>	<b>9,258</b>

The interest income on bank deposits were earned at the average rate of 2016: 9.9% (2015: 11%).

<b>9. Other income</b>		
Profit on sale of assets	-	51
Profit and loss on exchange differences	-	80,523
Sale of scrap	4,987	18,330
Insurance claim	125	12,831
Credits no longer required	13,372	49,262
	<b>18,484</b>	<b>160,997</b>

Credits no longer required relate to bank overdraft and accruals which there were no existing liabilities as at year end while the prior year balance represent write back of accruals for which there were no existing liabilities.

## Notes to the Financial Statements for the year ended December 31, 2016

### 10. Operating expense

#### 10.1. Administrative expenses

	2016 N'000	2015 N'000
Administrative and management fees	141,728	114,649
Auditors remuneration	17,400	14,500
Provision for bad debts	74,931	6,962
Bank charges	32,038	15,649
Cleaning	15,525	11,976
Consulting and professional fees	30,897	24,527
Depreciation (note 11)	153,140	102,849
Amortisation (note 11)	93,810	93,810
Directors' remuneration	144,138	104,770
Employee costs	430,403	447,235
Entertainment	12,800	11,976
Business development	10,809	6,568
Fines and penalties	-	100
Insurance	26,186	19,228
Rent and rates	17,225	22,138
Petrol and oil	11,999	12,330
Printing and stationery	19,780	10,588
Loss on sale of assets	22,171	-
Repairs and maintenance	28,985	29,266
Secretarial fees	39,024	49,920
Security	18,322	26,150
Staff welfare	33,196	18,691
Telephone and fax	57,983	99,295
Travel - local	38,812	20,819
Travel - overseas	7,093	9,126
	<b>1,478,395</b>	<b>1,273,122</b>

#### 10.2 Distribution expenses

Market activation	123,286	76,135
Branding expenses	514,903	142,487
	<b>638,189</b>	<b>218,622</b>

### 11. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

#### Total depreciation, amortisation and impairments

Depreciation (Administrative expenses)	153,140	102,849
Depreciation (Cost of sales)	767,389	743,405
	<b>920,529</b>	<b>846,254</b>
Amortisation	93,810	93,810
	<b>1,014,339</b>	<b>940,064</b>

### 12. Auditors' remuneration

Fees	17,400	14,500
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### 13. Finance costs

Interest on borrowings	357,671	20,065
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Capitalisation rates used during the period were 15% on specific borrowings and 15% being the weighted average cost of funds borrowed generally by the company.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to N357.67 million (2015: N20.07 million)

## Notes to the Financial Statements for the year ended December 31, 2016

### 14. Employee costs

The following items are included within employee benefits expense:

	2016 N'000	2015 N'000
<b>Direct employee costs</b>		
Basic	484,046	496,497
Medical aid - company contributions	30,428	30,663
Other payroll levies	3,426	2,587
Leave pay provision charge	18,852	23,023
Short term benefit	241,509	280,284
Other short term costs	3,163	2,822
Post-employment benefits - Pension - Defined contribution plan	35,290	35,289
Termination benefits	6,656	-
	<b>823,370</b>	<b>871,165</b>

#### Indirect employee costs

Directors' remuneration	144,138	104,770
Basic	171,245	197,157
Bonus	76,414	77,527
Medical aid - company contributions	8,817	12,095
Other payroll levies	13,160	13,973
Leave pay provision charge	15,563	9,990
Short term benefit	107,916	96,005
Other short term costs	18,694	21,865
Post-employment benefits - Pension - Defined contribution plan	18,594	17,588
Termination benefits	-	1,035
	<b>574,541</b>	<b>552,005</b>

#### Total employee costs

Direct employee costs	823,370	871,165
Indirect employee costs	574,541	552,005
	<b>1,397,911</b>	<b>1,423,170</b>

#### Average number of persons employed during the year was:

	Number	Number
Management	29	25
Senior staff	124	134
Junior staff	332	370
	<b>485</b>	<b>529</b>

The table below shows the number of employees (excluding Directors), whose earnings during the year, fell within the ranges shown below:

N'000	Number	Number
0 - 5,000	472	524
5,001 - 10,000	13	5
	<b>485</b>	<b>529</b>



## Notes to the Financial Statements for the year ended December 31, 2016

### 15. Operating profit

Operating profit for the year is stated after charging/(crediting) the following:

	2016 N'000	2015 N'000
Loss/(Gain) on sale of property, plant and equipment	22,171	(51)
Auditors remuneration	17,400	14,500
Gain on exchange differences	-	(80,523)
Amortisation on intangible assets	93,810	93,810
Depreciation on property, plant and equipment	920,529	846,254
Employee costs (excluding directors)	1,253,773	1,318,400
Directors' remuneration	144,138	104,770

### 16. Taxation

#### Major components of the tax expense

##### Current

Local income tax	799,938	455,089
Education tax	73,337	76,728
	<b>873,275</b>	<b>531,817</b>

##### Deferred

In respect of current year	227,873	380,101
	<b>1,101,148</b>	<b>911,918</b>

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004, the Education Tax Act CAP E4, LFN 2004. Corporation Tax and Education Tax is calculated at 30% and 2% respectively of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

#### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

<b>Profit before tax from continuing operations</b>	<b>3,516,331</b>	<b>3,017,564</b>
Tax at the applicable tax rate of 30% (2015: 30%)	1,054,899	905,269
Education tax	73,337	76,728
<b>Tax effect of adjustments on taxable income</b>		
Effect of concessions (research and development and other allowances)	(11,089)	-
Effect of non - taxable expenses	(15,999)	(70,079)
	<b>1,101,148</b>	<b>911,918</b>

#### Current tax liabilities in the statement of financial position

Balance, beginning of the year	529,162	753,852
Charge for the year	873,275	531,817
Payment during the year	(530,212)	(756,507)
<b>Balance at the end</b>	<b>872,225</b>	<b>529,162</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 17. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2016 N'000	2015 N'000
Deferred tax liability	(1,247,743)	(1,251,036)
Deferred tax asset	103,861	335,027
<b>Total net deferred tax liability</b>	<b>(1,143,882)</b>	<b>(916,009)</b>

#### Reconciliation of deferred tax asset / (liability)

At beginning of year	(916,009)	(535,908)
Movement in the year	(227,873)	(380,101)
	<b>(1,143,882)</b>	<b>(916,009)</b>

Deferred tax as at December 31, 2016 was as a result of differences between the rates of depreciation adopted for accounting purposes and the rates of capital allowances granted for tax purposes.

Analysis of deferred tax is made up of

December 31, 2016 Deferred tax (asset) or liability in relation to:	Opening balance	Recognize in profit or loss	Recognize in other comprehensive income	Closing balance
	N'000	N'000	N'000	N'000
Property, plant and equipment	1,251,036	(3,294)	-	1,247,742
Allowance for doubtful debt	(335,027)	231,166	-	(103,861)
	<b>916,009</b>	<b>227,872</b>	<b>-</b>	<b>1,143,881</b>

December 31, 2015 Deferred tax (asset) or liability in relation to:	Opening balance	Recognize in profit or loss	Recognize in other comprehensive income	Closing balance
	N'000	N'000	N'000	N'000
Property, plant and equipment	879,177	371,859	-	1,251,036
Allowance for doubtful debt	(343,269)	8,242	-	(335,027)
	<b>535,908</b>	<b>380,101</b>	<b>-</b>	<b>916,009</b>

### 18. Earnings per share

Basic earnings per share	2016	2015
From continuing operations (kobo per share)	91	79

	N'000	N'000
<b>Reconciliation of profit or loss for the year to basic earnings</b>		
Profit or loss for the year attributable to equity holders of the parent	2,415,183	2,105,646
<b>Adjusted for:</b>		
After tax effect of preference dividends	-	-
	<b>2,415,183</b>	<b>2,105,646</b>

Weighted average number of ordinary shares as at 31 December 2016	2,649,438	2,649,438
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## Notes to the Financial Statements for the year ended December 31, 2016

### 19. Property, plant and equipment

	Freehold land and buildings N'000	Plant and machinery N'000	Tools and equipment N'000	Motor vehicles N'000	Computer equipment N'000	Furniture and fittings N'000	Capital work-in- progress N'000	Total N'000
<b>Cost</b>								
Balance at 1 January, 2015	543,958	2,530,853	45,516	2,591,587	53,699	70,395	3,138,017	8,974,025
Additions	73,677	450,128	24,922	292,528	28,006	33,266	112,706	1,015,233
Disposals	-	-	-	(155,784)	-	-	-	(155,784)
Transfers	764,686	1,808,210	22,193	-	3,519	7,620	(2,606,228)	-
Adjustments	-	-	-	-	-	-	(89,538)	(89,538)
Balance at December 31, 2015	1,382,321	4,789,191	92,631	2,728,331	85,224	111,281	554,957	9,743,936
Additions	2,940	13,212	150,208	256,415	7,736	7,978	96,872	535,361
Disposals	-	-	-	(383,016)	-	-	-	(383,016)
Transfers	-	176,401	22,092	32,381	-	-	(230,874)	-
<b>Balance at December 31, 2016</b>	<b>1,385,261</b>	<b>4,978,804</b>	<b>264,931</b>	<b>2,634,111</b>	<b>92,960</b>	<b>119,259</b>	<b>420,955</b>	<b>9,896,281</b>
<b>Accumulated depreciation and impairment</b>								
Balance at 1 January, 2015	61,125	868,905	16,465	1,256,981	40,078	46,993	-	2,290,547
Depreciation	15,494	208,206	12,116	591,858	9,483	9,097	-	846,254
Disposals	-	-	-	(151,904)	-	-	-	(151,904)
Balance at December 31, 2015	76,619	1,077,111	28,581	1,696,935	49,561	56,090	-	2,984,898
Depreciation	31,037	336,051	38,977	483,061	16,778	14,625	-	920,529
Disposals	-	-	-	(355,835)	-	-	-	(355,835)
<b>Balance at December 31, 2016</b>	<b>107,656</b>	<b>1,413,162</b>	<b>67,558</b>	<b>1,824,161</b>	<b>66,339</b>	<b>70,715</b>	<b>-</b>	<b>3,549,591</b>
<b>Carrying amount</b>								
Balance at December 31, 2015	1,305,702	3,712,080	64,050	1,031,396	35,663	55,191	554,957	6,759,039
Balance at December 31, 2016	1,277,605	3,565,642	197,373	809,950	26,621	48,544	420,955	6,346,688

#### 19.1 Work-in-progress

Work-in-progress comprises amounts expended on Vegetable Oil tank farm in Apapa and Oregun plant rehabilitation.

#### 19.2 Adjustments to Capital work-in-progress

The adjustment in the prior year represent pre-trading expenses for Tomato and Vegetable Oil plant expensed to profit or loss in the prior year.

#### 19.3 Asset Pledged as security

None of the Company's assets were pledged as security for any liabilities as at 31 December, 2016. (2015: Nil)

#### 19.4 Impairment Assessment

There was no impairment loss or gain recognised as at 31st December, 2016 (2015: Nil).

## Notes to the Financial Statements for the year ended December 31, 2016

### 20. Intangible assets

Cost	Computer software N'000	Total N'000
Balance as at 1 January 2015	-	-
Additions	281,429	281,429
Balance as at December 31, 2015	281,429	281,429
Additions	-	-
<b>Balance as at December 31, 2016</b>	<b>281,429</b>	<b>281,429</b>
<b>Amortization</b>		
Balance as at January 1, 2015	46,435	46,435
Amortization expenses	93,810	93,810
Balance as at December 31, 2015	140,245	140,245
Amortization expenses	93,810	93,810
<b>Balance as at December 31, 2016</b>	<b>234,055</b>	<b>234,055</b>
<b>Net Book Value</b>		
Balance as at December 31, 2015	141,184	141,184
Balance as at December 31, 2016	47,374	47,374

Intangible asset (computer software) represents software which has a useful life of 3 years and amortized on a straight-line basis over the year.





## Notes to the Financial Statements for the year ended December 31, 2016

**21. Other assets**

	2016 ₦'000	2015 ₦'000
Prepayments:		
Rent prepaid	35,376	42,191
Insurance prepaid	1,884	1,366
Prepayment-Others	-	7,848
Deposit for import	2,780,893	8,958
	<b>2,818,153</b>	<b>60,363</b>
Non - current	5,513	9,188
Current	2,812,640	51,175
	<b>2,818,153</b>	<b>60,363</b>

**22. Inventories**

Raw materials	1,778,568	1,200,028
Finished goods	251,855	389,349
Spare parts and consumables	139,994	112,788
Oil and lubricants	43,256	27,675
Packaging materials	506,559	203,161
	<b>2,720,232</b>	<b>1,933,001</b>

**22.1 Inventory pledged as security**

No inventory was pledged as security for any liability.

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₦7.231 billion (2015: ₦7.589 billion).

**23. Trade and other receivables**

	2016 ₦'000	2015 ₦'000
Trade receivables	285,836	1,279,586
Impairment for bad debts	(12,688)	(803,701)
	273,148	475,885
Amounts due from related parties	9,745,773	4,002,541
Employee loans and advance	38,450	78,189
Value Added Tax	-	1,792
Other receivable (Note 23.1)	121,380	326,443
	10,178,751	4,884,850
Allowance for staff loan	-	(16,681)
Allowance for insurance	-	(15,623)
	<b>10,178,751</b>	<b>4,852,546</b>
<b>23.1 Other receivables</b>		
Advance to vendors	120,978	277,626
Insurance claim receivables	402	36,737
Transport income receivable	-	12,080
	<b>121,380</b>	<b>326,443</b>

**No trade and other receivables pledged as security**

Trade receivables disclosed are carried at cost less allowance for doubtful debts.



## Notes to the Financial Statements for the year ended December 31, 2016

The average credit period taken on sales of goods is 30 days. No interest is charged on outstanding trade receivables. It is the Company's policy to recognise a 100% allowance on receivables that are due for over 365 days based on management judgment that those receivables are unlikely to be recovered. Allowances for doubtful debts are recognised against trade receivables between 60 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current financial position

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

**23.2 Credit quality of trade and other receivables**

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Movement in allowance for doubtful debt**

	2016 ₦'000	2015 ₦'000
At 1 January	803,701	816,243
Additions	74,931	-
Allowance written off	(803,701)	-
Transfers to related company (Note 36.1)	(62,243)	(12,542)
<b>At 31 December</b>	<b>12,688</b>	<b>803,701</b>

**23.3 Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At December 31, 2016, ₦124.2 million (2015: ₦30.2 million ) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

0 - 30 days	203,767	204,418
30- 60 days	249,425	417,489
61- 90 days	23,723	58,396
	<b>273,148</b>	<b>475,885</b>

**Trade and other receivables impaired**

In determining the recoverability of a trade receivable, the Company considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The ageing of these receivables is as follows:

60 - 90 days	-	-
91 - 120 days	-	-
360+ days	12,688	803,701
	<b>12,688</b>	<b>803,701</b>



## Notes to the Financial Statements for the year ended December 31, 2016

	2016 N'000	2015 N'000
<b>24. Cash and bank balances</b>		
Cash and cash equivalents consist of:		
Cash on hand	7,165	2,912
Bank balances	2,484,904	2,545,781
Bank overdraft	-	(5,236)
	<b>2,492,069</b>	<b>2,543,457</b>

**25. Share capital****Authorised**

4,000,000,000 Ordinary shares of 50k each	2,000,000	2,000,000
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**Issued and fully paid**

2,649,438,378 ordinary shares of 50k each	1,324,719	1,324,719
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**26. Share premium****Issued**

Share premium	434,037	434,037
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**Reconciliation of number of shares issued:**

Issue of shares – ordinary shares	156,793	156,793
Conversion of debentures	404,303	404,303
Less: Deferred charges written off	(127,059)	(127,059)
	<b>434,037</b>	<b>434,037</b>

**27. Retained earnings**

At 1 January	5,329,478	4,548,551
Profit for the year	2,415,183	2,105,646
Dividend declared and paid	(1,457,191)	(1,324,719)
	<b>6,287,470</b>	<b>5,329,478</b>

At the Annual General Meeting held on 19th May 2016, the shareholders approved that dividend of ₦0.55 amounting to ₦1.457 billion be paid to shareholders for the year ended December 31, 2015. In respect of the current year, the Directors' propose that a dividend of ₦0.70 per ordinary share be paid to shareholders. The dividend is subject to approval by shareholders at the Annual General Meeting and deduction of withholding tax at the appropriate rate. Consequently, it has not been included as a liability in these financial statements. The total estimated dividend to be paid is ₦1.854 billion

**28. Dividend payable**

At 1 January	-	-
Dividend declared	1,457,191	1,324,719
Payments - Meristem Registrars	(1,457,191)	(1,324,719)
<b>At 31 December</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements for the year ended December 31, 2016

**29. Borrowings**

	2016 N'000	2015 N'000
<b>Held at amortised cost</b>		
Government grant	38,570	38,570

**Non-current liabilities**

At amortised cost	38,570	38,570
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At the time of privatisation in 1992, the debt owned the Federal Government of Nigeria, by the Company was restructured by the Bureau for Public Enterprise. The Board of Directors has taken steps to obtain a waiver of the Loan from the Federal Government of Nigeria.

**30. Retirement benefits obligation****30.1 Movement in gratuity**

Balance as at January 1	1 300,514	327,986
Charges during year	-	-
Payments	(50,879)	(27,472)
<b>Balance as at 31 December</b>	<b>249,635</b>	<b>300,514</b>

As at December 31, 2016 no fund has been set up from which payments can be disbursed.

**30.2 Defined contribution plan**

The employees of the company are members of Pension plan administered under the Pension Reform Act of 2014. The assets of the plans are held separately from those of the Company and managed by Pension Fund Administrators. The scheme is funded in accordance with the Pension Reform Act of 2014 with the employee and employer contribution representing 8% and 10% respectively of the employee's relevant emoluments effective July 2014

Staff pension		
At 1 January	7,192	6,186
Contributions during the year	97,227	134,843
Remittance in the year	(96,102)	(133,837)
<b>At 31 December</b>	<b>8,317</b>	<b>7,192</b>

The only obligation of the Company with respect to the pension scheme is to make the specified contributions. The total expense recognised in profit or loss of ₦53.38 million (2015: ₦71.59M) represents contributions payable to this plan by the Company as at December 31, 2016. The ₦8.32 million balance represents December contribution which has been paid in January 2017.





## Notes to the Financial Statements for the year ended December 31, 2016

**31. Trade and other payables**

	2016 N'000	2015 N'000
Trade payables	927,914	489,547
Amounts due to related parties (Note 36.1)	9,823,997	5,992,022
Value Added Tax	20,854	-
Withholding Tax payable	37,333	25,117
Staff pension	8,317	7,192
Accrued audit fees	17,400	7,500
Other accrued expenses	488,921	138,883
Customers' deposit	2,890,342	720,141
Other payables	37,652	36,699
	<b>14,252,729</b>	<b>7,417,101</b>
<b>Customers' deposit</b>		
Trade payable	2,890,342	720,141
	<b>2,890,342</b>	<b>720,141</b>

Customers' deposits relate to amount deposited by customers for which delivery has not been made as at year end.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables. The Directors consider that the carrying amount of trade payables approximates to the fair value.

**32. Reconciliation of net income to net cash provided by operating activities**

	2016 N'000	2015 N'000
Profit before taxation	3,516,331	3,017,564
Adjustments for:		
Depreciation	920,529	846,254
Amortisation	93,810	93,810
Loss on sale of assets	22,171	(51)
Investment income	(55,328)	(9,258)
Finance costs	357,671	20,065
Allowance for doubtful debt	(74,931)	-
PPE Adjustment (Note 19)	-	89,538
Changes in working capital:		
Inventories	(787,230)	(461,433)
Trade and other receivables	(5,251,274)	(1,635,746)
Others assets	(2,757,790)	931
Retirement benefit obligation	(50,879)	(27,472)
Trade and other payables	6,835,628	2,830,073
	<b>2,768,708</b>	<b>4,764,275</b>



## Notes to the Financial Statements for the year ended December 31, 2016

**33. Categories of financial instruments**

	2016 N'000	2015 N'000
<b>Assets</b>		
Trade and other receivables	10,178,751	4,852,546
Cash and bank	2,492,069	2,548,693
	<b>12,670,820</b>	<b>7,401,239</b>
<b>Liabilities</b>		
Bank overdraft	-	5,236
Trade and other payables	14,252,729	7,417,101
	<b>14,252,729</b>	<b>7,422,337</b>

**34. Risk management****34.1 Capital risk management**

The capital structure of the company consists of net debt (which includes the borrowings disclosed in Note 29, offset by cash and bank balances and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in relevant notes in the financial statements.

The company monitors its capital structure to ensure that the target debt equity ratio as stated in its debt covenants is not exceeded. The Company is not subject to any externally imposed capital requirements.

**34.2 Gearing ratios**

The Company is minimally geared for the reporting and comparative years.

**34.3 Financial risk management**

Risk management roles and responsibilities are assigned to stakeholders in the Company at three levels: The Board, Executive Committee and Line Managers.

The Board oversight is performed by the Board of Directors' through the Finance and Establishment Committee.

The second level is performed by the Executive Management Committee (EXCO).

The third level is performed by all line managers under EXCO and their direct reports. They are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Internal Audit Department provides an independent assurance of the risk framework. They assess compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors'.

The Company monitors and manages financial risks relating to its operations through an internal risk report which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

**34.4 Foreign currency, financial and credit risk**

The Company is exposed to market, credit and liquidity risks. The parent Company's internal audit and risk management team is responsible for monitoring its exposure to each of the mentioned risks. This policy provides guidance over all treasury and finance related matters and is underpinned by delegated authority guidelines and detailed procedures. The main objectives of the policy are to ensure that sufficient liquidity exists to meet the operational needs of the business to maintain the integrity and liquidity of the investment portfolio and to manage the impact of foreign exchange and interest rate volatility on the Company's net income.

## Notes to the Financial Statements for the year ended December 31, 2016

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company is mainly exposed to USD. It monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their holdings of financial instruments.

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

### Foreign currency exposure at the end of the reporting period

	Liabilities		Assets	
	2016 ₦'000	2015 ₦'000	2016 ₦'000	2015 ₦'000
US Dollars	2,218,607	3,507,939	9,613,434	3,926,794

The following table details the Company's sensitivity to a 3%, increase and decrease in Naira against USD currency. Management believes that a 3% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding balances of USD denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 3% against the USD.. For a 3% weakening of Naira against the USD there would be an equal and opposite impact on profit, and the balances below would be negative.

	2016 ₦'000	2015 ₦'000
Naira strengthens by 3% against the US dollar Profit / (loss)	233,861	12,566
Naira weakens by 3% against the US dollar Profit / (loss)	(233,861)	(12,566)

### 34.5 Sensitivity analysis for interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it does not have either floating or fixed interest bearing financial liabilities outstanding as the reporting date. Its cash and cash equivalents with financial institutions have fixed interest rates.

### 34.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate (bank guaranty, insurance bonds), as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information, customers financial position, past trading relationship, its own trading records and other factors to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management team periodically.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased.

## Notes to the Financial Statements for the year ended December 31, 2016

About 9% of the trade receivables are due from a single customer whose credit history is good. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are otherwise diverse including both corporate entities and lots of individual end users. The requirement for impairment is analyzed at each reporting date on an individual basis for corporate and individual customers.

The maximum credit risk at the reporting date was:

	2016 ₦'000	2015 ₦'000
Trade receivables	273,148	475,885
Other receivables	121,380	326,443
Employee loans and advance	38,450	78,189
Cash and cash equivalents	2,492,069	2,548,693
Amount due from related party	9,745,773	4,002,541

### 34.7 Deposit with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the company's treasury department in accordance with its corporate treasury policy that spells out counterparty limits, list of financial institutions that the company deals with and the maximum tenure of fixed term funds. Surplus funds are spread amongst these institutions and funds must be within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Corporate Treasurer periodically and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through the potential counterparty's failure.



## Notes to the Financial Statements for the year ended December 31, 2016

### 34.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors', which has established an appropriate liquidity risk management framework for the management of the Company's short- medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

At December 31, 2016	0 – 3 months N'000	3 – 6 months N'000	Total N'000
Trade payables	823,920	103,887	927,807
Other payables	3,442,313	58,506	3,500,819
Due to related parties	2,910,464	6,913,533	9,823,997
Government grant	-	38,570	38,570
	<b>7,176,697</b>	<b>7,114,496</b>	<b>14,291,193</b>

At December 31, 2015	0 – 3 months N'000	3 – 6 months N'000	Total N'000
Trade payables	440,286	49,262	489,547
Other payables	823,780	111,752	935,532
Due to related parties	3,510,798	2,481,224	5,992,022
Overdrafts	-	5,236	5,236
Government grant	-	38,570	38,570
	<b>4,774,864</b>	<b>2,686,044</b>	<b>7,460,907</b>

### 35. Fair value information

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values

	Book value		Fair value	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
<b>Financial asset</b>				
Trade and other receivables	10,178,751	4,852,546	10,178,751	4,852,546
Cash and bank	2,492,069	2,548,693	2,492,069	2,548,693
<b>Financial liabilities</b>				
Bank loans (overdrafts)	-	5,236	-	5,236
Trade and other payables	14,252,729	7,417,101	14,252,729	7,417,101
Employee benefit	249,635	300,514	249,635	300,514
Government grant	38,570	38,570	38,570	38,570

The book value of the trade and other receivables is arrived at by factoring allowances for doubtful debts on trade receivables and other receivables.

The carrying amount of bank overdrafts and loans is approximately equal to their fair value.

## Notes to the Financial Statements for the year ended December 31, 2016

### 36. Related parties

#### 36.1 Related party balances

	2016 N'000	2015 N'000
<b>Intercompany receivables</b>		
<b>Parent and ultimate controlling party</b>		
<b>Other related party receivables</b>		
Dangote Pasta Limited	7,918	7,918
Dangote Sugar Refineries	46,371	30,657
Dangote Noodles Limited	8,346	5,044
Dangote Cement - Ibeshe	22,394	37,274
Dangote Cement - Obajana	-	478
Dangote Cement - Gboko	4,320	-
Dangote Foundation	-	12,542
West African Popular Foods	124,486	-
Bulk Commodities Ltd	9,594,181	3,921,170
Provision for doubtful related party receivables	(62,243)	(12,542)
	<b>9,745,773</b>	<b>4,002,541</b>

#### Intercompany payables

##### Parent and ultimate controlling party

Dangote Industries Limited (Parent)	6,301,212	1,582,922
-------------------------------------	-----------	-----------

##### Other related party payables

Dangote Pasta Limited	-	-
Dansa Foods Limited	300	500
Dangote Cement	29,474	24,194
Agrosack Ltd	141,741	59,823
Dangote Transport	22,962	22,962
Central TPT Parts Store	139,009	-
Dangote Head office	1,007,483	634,178
Dangote Foundation	-	11,690
Benue Cement	81,922	81,922
Benue Cement-Truck scheme	54,398	54,398
DANCOM	5,247	12,750
Bulk Commodities Ltd	2,040,249	3,506,683
	<b>9,823,997</b>	<b>5,992,022</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 36. Related parties (continued)

Greenview International Corporation	Ultimate holding company
Dangote Transport Limited	Fellow subsidiary company - provides haulage services
Dangote Sugar Refinery Plc.	Fellow subsidiary company - buys crude salt and also provide warehouse facility for which NASCON pays rent
Dansa Foods Limited	An entity controlled by a key management personnel of the Company that has trading relationship with the Company.
Dangote Flour Mills Plc.	Fellow subsidiary
Dangote Pasta Limited	Fellow subsidiary - NASCON provides haulage services
Dangote Industries Limited	Parent company - provides management support
Dangote Noodles Limited	Fellow subsidiary company - buys Table salt
Dangote Agrosacks	Fellow subsidiary - Supplies empty sacks for bagging finished salt
Green view Development Company Limited	Fellow subsidiary
Benue Cement	Fellow subsidiary - NASCON buys trucks
DANCOM	Fellow subsidiary - Service provider for IT services
Dangote Cement Plc.	Fellow subsidiary company that buys crude salt
Obajana Cement	Fellow subsidiary - NASCON provides haulage services
Bulk Commodities	Fellow subsidiary (Agent for purchase of raw salt)
Dangote Foundation	Fellow subsidiary
West African Popular Foods	JV involving parent company (Sales of Annapurna salt)
Central TPT Parts Store	Fellow subsidiary (Sales of spares for trucks)

Dangote Industries Limited (DIL) performed certain administrative services for the Company for which a management fee of ₦122.9 million (2015: ₦114.6 million) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

In addition to the above, interest of ₦357 million was paid to DIL for the loan of (₦4.5 billion at 15% interest) obtained by the Company during the year, which has been fully repaid in February, 2017.

	2016 ₦'000	2015 ₦'000
<b>Compensation to directors and other key management</b>		
Short-term employee benefits	144,138	104,770
Post-employment benefits - Pension - Defined contribution plan	-	-
Long-term benefits - incentive scheme	-	-
Termination benefits	-	-
Share-based payment	-	-
	<b>144,138</b>	<b>104,770</b>
<b>Directors fee and expenses</b>		
Directors Fees	18,150	19,073
Directors Expenses	125,988	85,698
	<b>144,138</b>	<b>104,771</b>

The number of Directors excluding the Chairman with gross emoluments within the bands stated below were:

₦'000	Number	Number
0 — 5,000	8	8
20,000 — 25,000	-	-
26,000 — 31,000	-	1
38,000 — 43,000	2	-
	<b>10</b>	<b>9</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 37. Commitments

The Company's total capital commitments as at December 31, 2016 amounted to ₦2.8 billion in respect of purchase of raw salt and Oregun plant rehabilitation (2015: ₦154.4 million).

### 38. Contingent assets and Contingent liabilities

#### 38.1 Pending litigation and claims.

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal counsels. The contingent liabilities in respect of pending litigation and claims amounted to ₦17,102,751.72 as at 31 December 2016 (2015 - nil). In the opinion of the Directors and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claim, thus no provision has been made in these financial statements.

#### 38.2 Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

### 39. Events after the reporting period

There were no events after the reporting period that could have had a material effect on the financial statements of the Company as at December 31, 2016 that have not been taken into account in these financial statements.

### 40. Approval of Financial statements

The Board approved the financial statements during its meeting of March 28, 2017.



## Other National Disclosures- Value Added Statement

	2016 N'000	2016 %	2015 N'000	2015 %
<b>VALUE ADDED</b>				
Turnover: Local	18,291,792		16,178,197	
Export	-		-	
Interest received	55,328		9,258	
Other income	18,484		160,997	
 Bought - in materials and services				
- Local	(4,511,544)		(2,569,527)	
- Foreign	(7,567,809)		(8,378,062)	
<b>Total Value Added</b>	<b>6,286,251</b>	<b>100</b>	<b>5,400,863</b>	<b>100</b>
 <b>VALUE DISTRIBUTED</b>				
<b>To Pay Employees</b>				
Salaries, wages, medical and other benefits	1,397,911		1,423,170	
	<b>1,397,911</b>	<b>22</b>	<b>1,423,170</b>	<b>26</b>
 <b>To Pay Providers of Capital</b>				
<b>Finance costs</b>	357,671		20,065	
	<b>357,671</b>	<b>6</b>	<b>20,065</b>	<b>-</b>
 <b>To Pay Government</b>				
<b>Income tax</b>	873,275		531,817	
	<b>873,275</b>	<b>14</b>	<b>531,817</b>	<b>10</b>
 <b>To be retained in the business for expansion and future wealth creation:</b>				
Depreciation, amortisation and impairment	1,014,339		940,064	
Deferred tax	227,873		380,101	
	<b>1,242,212</b>	<b>20</b>	<b>1,320,165</b>	<b>24</b>
 <b>Value retained</b>				
Retained profit	2,415,183		2,105,646	
	<b>2,415,183</b>	<b>38</b>	<b>2,105,646</b>	<b>39</b>
 <b>Total Value Distributed</b>	<b>6,286,251</b>	<b>100</b>	<b>5,400,863</b>	<b>100</b>

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

This report is not prepared under IFRS. Instead, it has been prepared in compliance with the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.

## Other National Disclosures- Five Year Financial Summary

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Non-current assets	6,399,575	6,909,411	6,933,017	5,749,056	3,666,461
Current assets	18,203,692	9,385,415	5,622,868	5,682,111	7,023,083
<b>Total assets</b>	<b>24,603,267</b>	<b>16,294,826</b>	<b>12,555,885</b>	<b>11,431,167</b>	<b>10,689,544</b>
<b>Liabilities</b>					
Non-current liabilities	1,432,087	1,255,093	902,464	731,825	734,839
Current liabilities	15,124,954	7,951,499	5,346,115	3,806,716	3,377,126
<b>Total liabilities</b>	<b>16,557,041</b>	<b>9,206,592</b>	<b>6,248,579</b>	<b>4,538,541</b>	<b>4,111,965</b>
<b>Equity</b>					
Share capital	1,324,719	1,324,719	1,324,719	1,324,719	1,324,719
Share premium	434,037	434,037	434,037	434,037	434,037
Retained income	6,287,470	5,329,478	4,548,550	5,133,870	4,818,823
<b>Total equity</b>	<b>8,046,226</b>	<b>7,088,234</b>	<b>6,307,306</b>	<b>6,892,626</b>	<b>6,577,579</b>
<b>Total equity and liabilities</b>	<b>24,603,267</b>	<b>16,294,826</b>	<b>12,555,885</b>	<b>11,431,167</b>	<b>10,689,544</b>
 <b>Profit and loss account</b>					
Revenue	18,291,792	16,178,197	11,250,544	10,837,261	13,414,185
<b>Profit before taxation</b>	<b>3,516,331</b>	<b>3,017,564</b>	<b>2,856,399</b>	<b>4,038,405</b>	<b>4,036,336</b>
Taxation	(1,101,148)	(911,918)	(989,361)	(1,338,863)	(1,270,030)
<b>Profit for the year</b>	<b>2,415,183</b>	<b>2,105,646</b>	<b>1,867,038</b>	<b>2,699,542</b>	<b>2,766,306</b>
 <b>Per share data (Kobo)</b>					
<b>Earnings per share (Basic)</b>	91	79	70	102	104
<b>Earnings per share (Diluted)</b>	91	79	70	102	104
<b>Net assets per share</b>	304	268	238	260	248

Earnings per share are based on profit after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

This report is not prepared under IFRS. Instead, it has been prepared in compliance with the Companies and Allied Matters Act (CAMA) requirement.



## Data on Claimed/Unclaimed Dividends

AS AT DECEMBER 31, 2016

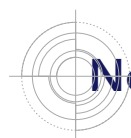
Dividend Year	Payment Date	Dividend No.	Amount Declared ₦	Total Claimed ₦	Total Unclaimed ₦
2007	17/07/2008	1	883,146,126.00	862,061,968.12	21,084,157.88
2008	05/10/2009	2	1,059,775,351.20	1,024,067,502.36	35,707,848.84
2009	04/10/2010	3	1,324,719,189.00	1,281,790,538.55	42,928,650.45
2010	11/07/2011	4	1,324,719,189.00	1,275,624,297.90	49,094,891.10
2011	07/06/2012	5	1,854,606,865.00	1,753,320,516.17	101,286,348.83
2012	17/06/2013	6	2,384,494,540.20	2,248,956,344.43	135,538,195.77
2013	24/06/2014	7	2,384,494,540.20	2,217,627,584.78	166,866,955.42
2014	12/06/2015	8	1,324,719,189.00	1,254,745,208.20	69,973,980.80
2015	23/05/2016	9	1,457,191,107.90	1,391,721,223.09	65,469,884.81



## Share Capital History

Year	AUTHORISED NOMINAL VALUE		Other than by bonus		ISSUED AND PAID-UP		Total	
	No. of shares '000	Amount ₦'000	No. of shares '000	Amount ₦'000	Bonus issue		No. of	
					No. of shares '000	Amount ₦'000	shares '000	Amount ₦'000
1991	40,000	20,000	-	-	-	-	14,110	7,055
1992	40,000	20,000	-	-	-	-	14,110	7,055
1993	40,000	20,000	-	-	-	-	14,110	7,055
1994	40,000	20,000	-	-	-	-	14,110	7,055
1995	80,000	40,000	-	-	-	-	14,110	7,055
1996	80,000	40,000	65,847	32,923	-	-	79,957	39,978
1997	200,000	100,000	-	-	-	-	79,957	39,978
1998	200,000	100,000	-	-	-	-	79,957	39,978
1999	200,000	100,000	-	-	-	-	79,957	39,978
2000	200,000	100,000	-	-	-	-	79,957	39,978
2001	200,000	100,000	-	-	-	-	79,957	39,978
2002	200,000	100,000	-	-	-	-	79,957	39,978
2003	200,000	100,000	-	-	-	-	79,957	39,978
2004	200,000	100,000	-	-	-	-	79,957	39,978
2005	200,000	100,000	-	-	-	-	79,957	39,978
2006	4,000,000	2,000,000	-	-	-	-	79,957	39,978
2007	4,000,000	2,000,000	2,127,909	1,063,954	-	-	2,207,865	1,103,932
2008	4,000,000	2,000,000	-	-	441,573	220,787	2,649,438	1,324,719
2009	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2010	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2011	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2012	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2013	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2014	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2015	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719
2016	4,000,000	2,000,000	-	-	-	-	2,649,438	1,324,719





## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of NASCON ALLIED INDUSTRIES PLC. (NASCON) for the year ending 31st December 2016 will hold on Thursday 4th May, 2017 at the Civic Centre Ozumba Mbadiwe Road Victoria Island Lagos at 11.00 am prompt to transact the following business:

- 1] To lay before the Meeting the audited financial statements for the year ended 31st December, 2016 along with the Directors report, the reports of the Auditors and the Audit Committee thereon for the year ended 31st December, 2016.
- 2] To declare a Dividend.
- 3] To re-elect Directors retiring by rotation
- 4] To re-appoint the Auditors.
- 5] To authorize the Directors to fix the remuneration of the Auditors.
- 6] To appoint members of the Audit Committee.

### SPECIAL BUSINESS.

- 7] To fix the remuneration of the Directors for the year ending 31st December, 2017

### 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/her. A proxy need not be a member of the Company. A proxy for an organization may vote on a show of hands and on a poll. For the appointment to be valid, a completed proxy form must be deposited at the registered office of the Company or with the Registrar not later than 48 hours before the time fixed for the meeting, and be duly acknowledged.

### DIVIDEND

The Board recommends for the approval of shareholders, the payment of a dividend of 70 kobo per ordinary share of 50 Kobo each, out of the profits declared in the financial year ended 31st December, 2016 and which will be subject to withholding tax at the appropriate rate

### DIVIDEND WARRANTS

If approved, the dividend warrants will be posted on Monday 8th day of May, 2017 to shareholders whose names appear in the Company's Register of Members at the close of business on Wednesday 19th April 2017.

### NOTES

#### 1] CLOSURE OF REGISTER AND TRANSFER BOOKS

NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed on Thursday 20th April and Friday 21st April 2017.

#### 2] AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act CAP C20LFN 2004, a nomination (in writing) by any member or shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting. The Audit Committee comprises three shareholders and three Directors.

#### 3] RIGHTS OF SHAREHOLDERS TO ASK QUESTIONS.

Securities' holders have a right to ask questions not only at the Meeting but also in writing prior to the Meeting and such questions must be submitted to the Company on or before Thursday 27th April 2017.

### BY ORDER OF THE BOARD

#### ADEDAYO SAMUEL

Company Secretary

FRC/2016/NBA/00000015291

Dated this 28th day of March, 2017

NASCON Allied Industries

Union Marble House

1, Alfred Rewane Road

Falomo, Ikoyi,

Lagos, Nigeria.



## Directors, Officers and Professional Advisers

<b>Country of incorporation and domicile</b>	Nigeria	
<b>Nature of business and principal activities</b>	Principal activities of the Company during the year include processing of raw salt into refined, edible and industrial salt. The company also produces Seasoning, Tomato Paste and Vegetable Oil.	
<b>Directors</b>	'Yemisi Ayeni Paul Farrer Fatima Aliko-Dangote Olakunle Alake Halima Aliko-Dangote Abdu Dantata Sada Ladan-Baki Chris Ogbachie Knut Ulvmoen Fatima Wali-Abdurrahman	Chairperson Managing Director Executive Director Director Director Director Director Director Director Director
<b>Company Secretary</b>	Adedayo Samuel	
<b>Registered office</b>	Salt City, Ijoko Ota, Ogun State	
<b>Registrar And Transfer Office</b>	Meristem Registrars Limited 213, Herbert Macaulay, Way Adekunle, Yaba, Lagos	
<b>Auditors</b>	Akintola Williams Deloitte Chartered Accountants Civic Towers, Plot GA 1 Ozumba Mbadiwe Avenue, Victoria Island, Lagos	
<b>Ultimate holding company</b>	Greenview International Corporation	
<b>Bankers</b>	Access Bank Plc Ecobank Limited Fidelity Bank Plc GTBank Plc Jaiz Bank Limited Skye Bank Plc Sterling Bank Plc UBA Plc Union Bank Plc Zenith Bank Plc	



## Corporate Information

### Capital Market Information

NASCON Allied Industries is listed on the main board of the Nigerian Stock Exchange (NSE)  
Each share carries one voting right

NSE ticker symbol	NASCON
ISIN	NGNASCON0005
Bloomberg Code	NASCON:NL
Reuters Code	NASCON:LG
Date listed	20 October, 1992
Market Capitalization (31/12/16)	₦22,520,226,213
Outstanding shares	2,649,438,378
Free float	37.47%

### Registration Information

RC Number	11364
Date of Incorporation	30 April, 1973

### Registered office

Salt City  
Ijoko Ota, Ogun State

### Business Office

15B Ikosi Road  
Oregun, Ikeja, Lagos State

### Registrar and Transfer Office

Meristem Registrars Limited  
213, Herbert Macaulay Way,  
Adekunle, Yaba, Lagos  
Tel: 01-8920491-2; 01-2809250-3  
E-mail: info@meristemregistrars.com

For more Information please contact

### Corporate Communications

Anthony Chiejina  
+234 (1) 448 0815  
anthony.chiejina@dangote.com

### Investor Relations

Eyitope Olumudi  
+234 (0) 807 049 2706  
investors.nascon@dangote.com

### Website

www.nasconplc.com

## Board and Committee Meeting Dates & Attendance

### Board Meetings

Members	05/01	29/01	11/03	22/04	19/05	22/07	04/10	21/10	14/12
Yemisi Ayeni	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paul Farrer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fatima Aliko-Dangote	N/A	N/A	✓	✓	✓	✓	✓	✓	✓
Olakunle Alake	✓	✓	✓	✓	✓	✓	✓	✓	✓
Halima Aliko-Dangote	✓	X	✓	✓	✓	✓	✓	✓	✓
Abdu Dantata	X	✓	✓	✓	✓	✓	✓	✓	✓
Sada Ladan-Baki*	X	X	X	X	X	X	✓	X	✓
Chris Ogbechie	✓	✓	✓	✓	✓	✓	X	X	✓
Knut Ulvmoen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fatima Wali-Abdurrahman	✓	✓	X	✓	✓	✓	✓	✓	✓

### Finance, Risk and Audit Committee

Members	27/01	08/03	18/04	19/07	19/10
Chris Ogbechie	✓	✓	✓	✓	✓
Paul Farrer	✓	✓	✓	✓	✓
Fatima Aliko-Dangote	N/A	N/A	N/A	✓	✓
Olakunle Alake	✓	✓	✓	✓	✓
Halima Aliko-Dangote	✓	✓	✓	✓	✓
Abdu Dantata	✓	✓	✓	✓	✓
Sada Ladan-Baki*	X	X	X	✓	X

### Establishment and General Purpose Committee

Members	28/01	21/04	21/07	19/10
Knut Ulvmoen	✓	✓	✓	✓
Paul Farrer	✓	✓	✓	✓
Fatima Aliko-Dangote	N/A	N/A	✓	✓
Halima Aliko-Dangote	✓	✓	✓	✓
Fatima Wali-Abdurrahman	✓	✓	✓	✓


### Statutory Audit Committee

Members	08/03	04/08	01/11
Okey Nwuke	N/A	✓	✓
Umar Farouk	✓	✓	✓
Kudaisi Ayodele Sarat	N/A	✓	✓
Halima Aliko-Dangote	✓	✓	✓
Abdu Dantata	✓	✓	✓
Chris Ogbechie	N/A	✓	✓

\*Sada Ladan-Baki was on approved work assignment with a related party company.

### KEY


✓ - Present in meeting  
× - Absent from meeting  
N/A- Not yet a member



Affix  
Current  
Passport

(To be stamped by Bankers)

Write your name at the back of  
your passport photograph



E-DIVIDEND MANDATE ACTIVATION FORM

**Instruction**

Please complete all sections of this form to make it eligible for processing and return to the address below

**The Registrar**  
Meristem Registrars Limited  
213, Herbert Macaulay Way  
Adekunle-Yaba  
Lagos State

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank account detailed below:

Bank Verification Number

Bank Name

Bank Account Number 

--	--	--	--	--	--	--	--	--

Account Opening Date

**Shareholder Account Information**

Surname/Company's Name	First Name	Other Names

Address:

City  State  Country

Previous Address (If address has changed)

CHN  CSCS A/c No

Name of Stockbroker

Mobile Telephone 1  Mobile Telephone 2

Email Address

Signature(s)  Company Seal (If applicable)

Joint/Company's Signatories

TICK	NAME OF COMPANY	SHARE A/C NO
<input type="checkbox"/>	ACAP INCOME FUND	
<input type="checkbox"/>	AFRINVEST EQUITY FUND	
<input type="checkbox"/>	BERGER PAINTS NIG PLC	
<input type="checkbox"/>	CHELLARAMS BOND	
<input type="checkbox"/>	CONOIL PLC	
<input type="checkbox"/>	CONSOLIDATED HALLMARK INS. PLC	
<input type="checkbox"/>	CUSTODIAN & ALLIED PLC	
<input type="checkbox"/>	COVENANT SALT NIGERIA LIMITED	
<input type="checkbox"/>	EMPLOYEE ENERGY LIMITED	
<input type="checkbox"/>	ENERGY COMPANY OF NIGERIA PLC [ENCON]	
<input type="checkbox"/>	eTRANZACT INTERNATIONAL PLC	
<input type="checkbox"/>	FIDSON HEALTHCARE PLC	
<input type="checkbox"/>	FOOD CONCEPTS PLC	
<input type="checkbox"/>	FREE RANGE FARMS PLC	
<input type="checkbox"/>	FTN COCOA PROCESSORS PLC	
<input type="checkbox"/>	GEO-FLUIDS PLC	
<input type="checkbox"/>	JUBILEE LIFE MORTGAGE BANK LTD	
<input type="checkbox"/>	MAMA CASS RESTAURANTS LIMITED	
<input type="checkbox"/>	MCN DIOCESE OF REMO	
<input type="checkbox"/>	MCN LAGOS CENTRAL	
<input type="checkbox"/>	MCN TAILORING FACTORY [NIGERIA] LIMITED	
<input type="checkbox"/>	MULTI-TREX INTEGRATED FOODS PLC	
<input type="checkbox"/>	MUTUAL BENEFITS ASSURANCE PLC	
<input type="checkbox"/>	NASSARAWA STATE GOVT BOND	
<input type="checkbox"/>	NASCON ALLIED INDUSTRIES PLC	
<input type="checkbox"/>	NEIMETH INT'L PHARMS PLC	
<input type="checkbox"/>	NEWREST ASL NIGERIA PLC	
<input type="checkbox"/>	NIGER INSURANCE PLC	
<input type="checkbox"/>	NIGERIA MORTGAGE REFINANCE COMPANY [NMRC] PLC	
<input type="checkbox"/>	NIGERIA MORTGAGE REFINANCE COMPANY PLC [NMRC] BOND	
<input type="checkbox"/>	ONWARD PAPER MILLS PLC	
<input type="checkbox"/>	PACAM BALANCED FUND	
<input type="checkbox"/>	PAINTS & COATINGS MANUFACTURERS NIG PLC	
<input type="checkbox"/>	PROPERTYGATE DEVT. & INVEST. PLC	
<input type="checkbox"/>	R.T. BRISCOE NIGERIA PLC	
<input type="checkbox"/>	REGENCY ALLIANCE INSURANCE PLC	
<input type="checkbox"/>	SMART PRODUCTS NIGERIA PLC	
<input type="checkbox"/>	SOVEREIGN TRUST INSURANCE PLC	
<input type="checkbox"/>	TANTALIZERS PLC	
<input type="checkbox"/>	THE BGL SAPPHIRE FUND	
<input type="checkbox"/>	THOMAS WYATT PLC	
<input type="checkbox"/>	VITAFOAM NIGERIA PLC	
<input type="checkbox"/>	ZENITH EQUITY FUND	
<input type="checkbox"/>	ZENITH ETHICAL FUND	
<input type="checkbox"/>	ZENITH INCOME FUND	

**Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-2809250-4**



**Meristem Registrars Limited**

**Web: [www.meristemregistrars.com](http://www.meristemregistrars.com); email: [info@meristemregistrars.com](mailto:info@meristemregistrars.com)**



## Proxy Form

**NASCON Allied Industries Plc Rc: 11364**

The Annual General Meeting to be held at the Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, on Thursday, May 4, 2017 at 11:00 a.m.

I/WE .....

of .....

being a shareholder of NASCON Allied Industries Plc hereby appoint ..... or failing him/her

..... or .....

as my/our Proxy to act and vote for me/us on my/our behalf at the 2016 Annual General Meeting to be held on 4th May, 2017 and at any adjournment thereof.

Dated the ..... 2017 shareholder's signature .....

	NO.	ORDINARY BUSINESS	FOR	AGAINST
I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside (strike out whichever is not applicable)	1.	To receive the audited Financial Statements for the year ended 31st December, 2016, and the reports of the Directors, Auditors, and Audit Committee thereon;		
	2.	To declare a dividend;		
	3.	To elect or re-elect Directors: <ul style="list-style-type: none"> <li>Re-election as a Director of Abdu Dantata, who is retiring by rotation</li> <li>Re-election as a Director of Sada Ladan-Baki, who is retiring by rotation</li> <li>Re-election as a Director of Knut Ulvmoen, who is retiring by rotation</li> </ul>		
	4.	To re-appoint the Auditors		
	5.	To elect members of the Audit Committee;		
	6.	To authorize the Directors to fix the remuneration of the Auditors;		
	7.	To fix the remuneration of the Directors.		
		Please indicate with an "X" in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.		

This proxy form should NOT be completed and sent to the registered office if the member will be attending the meeting.

Note:

- il. A member (shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint to a proxy in his stead. All proxy form should be deposited at the registered office of the Registrar (as in notice) not later than 48 hours before the meeting.
- II. In the case of joint shareholders, any of them may complete the form, but the names of all joint shareholders must be stated.
- III. If the shareholder is a corporation, this form must be executed under its Common Seal or under the hand of some officers or an attorney duly authorized.
- IV. The proxy must produce the admission card sent with the notice of the meeting to gain entrance to the meeting.
- V. It is a legal requirement that all instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear appropriate stamp duty from the Stamp Duties office (not adhesive postage stamps).

Before posting this form, please tear off this part and retain it for admission to the meeting.

NAME AND ADDRESS NUMBER OF SHARES HELD: NUMBER OF SHAREHOLDER(S):

ADMISSION  
CARD

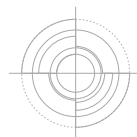
Please admit ..... to the Annual General Meeting of NASCON Allied Industries Plc to be held at Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, on Thursday, May 4, 2017 at 11:00 a.m.

- Signature of person attending: .....
- This admission card should be produced by the shareholder or his/her proxy in order to obtain entrance to the Annual General Meeting.
  - You are requested to sign this card at the entrance in the presence of the Company Secretary or his Nominee on the day of the Annual General Meeting.

Please be advised that to enable a Proxy gain entrance to the meeting, the Proxy Form is to be duly completed and delivered to the Company Secretary not later than 48 hours before the time fixed for the meeting.







Meristem Registrars Limited  
213, Herbert Macaulay Way  
Adekunle, Yaba, Lagos



## Notes

[illegible]



## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## Notes

This image shows a full page of blank, lined paper. It features approximately 28 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings on the page.