

DANGOTE SUGAR REFINERY PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2013

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STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors of Dangote Sugar Refinery Plc are responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Company and its subsidiaries ("the Group") as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies and Allied Matters Act of Nigeria and the Federal Reporting Council of Nigeria Act, 2011.

In preparing the 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 understand the impact of particular transactions, and conditions on the group's consolidated and separate financial position and financial performance; and
- making an assessment of the Group'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 Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the financial statements of the Group 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 Group; and
- preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements of the Group for the year ended 31 December 2013 were approved by management on 11 April 2014.

Signed on behalf of management of the Company

Deputy Chief Executive Officer
FRC no: FRC/2013/NSE/00000002065/

Date _____

Chief Financial Officer
FRC no: FRC/2013/ICAN/ 00000002066

Date _____

Chief Operating Officer
FRC no: FRC/2013/ICAN/00000002214
Date _____

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF DANGOTE SUGAR REFINERY PLC

We have audited the accompanying consolidated and separate financial statements of **Dangote Sugar Refinery Plc and its subsidiary**, which comprise the consolidated and separate statement of financial position as at 31 December 2013 and 31 December 2012, the consolidated income statement, statement of changes in equity, cash flow statement for the years ended 31 December 2013 and 31 December 2012, a summary of significant accounting policies and other explanatory information set out on pages 3 to 49

Directors' Responsibility for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, No 6, 2011, the International Financial Reporting Standards and for such internal control as the Directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of **Dangote Sugar Refinery Plc and its subsidiary** as at 31 December 2013, and of its financial performance and cash flows for the year then ended; the Company and its subsidiary have kept proper books of account, which are in agreement with the consolidated and separate statement of financial position and consolidated and separate statement of profit or loss and other comprehensive income in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, No 6, 2011 and International Financial Reporting Standards.

Ijeoma Onwu, FCA - FRC/2013/ICAN/00000001364

for: **Akintola Williams Deloitte**

Chartered Accountants

Lagos, Nigeria

April, 2014

DANGOTE SUGAR REFINERY PLC

Consolidated and separate financial statements

For the year ended 31 December 2013

**CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

		GROUP	COMPANY	
		Year ended	Year ended	Year ended
		31/12/2013	31/12/2013	31/12/2012
		N'000	N'000	N'000
	Note			
Continuing operations				
Revenue	5	103,153,735	102,467,361	106,868,054
Cost of sales	6	(78,555,261)	(75,497,463)	(83,639,544)
Gross profit		24,598,474	26,969,898	23,228,510
Selling and distribution expenses	6.1	(3,434,861)	(3,418,895)	(2,117,319)
Administrative expenses	7	(8,710,872)	(7,201,142)	(6,878,796)
Investment income	8	1,491,638	1,491,637	1,314,653
Other income	9	2,387,944	2,258,019	784,631
Profit from operating activities		16,332,323	20,099,517	16,331,679
Finance costs		(67,164)	-	-
Profit before tax		16,265,159	20,099,517	16,331,679
Income tax expense	10	(5,419,227)	(6,561,905)	(5,535,263)
Profit for the year	11	10,845,932	13,537,612	10,796,416
Other comprehensive expenditure: <i>items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial gain/ (loss) on gratuity scheme (net of tax)	25.1	10,741	10,741	(60,966)
Total other comprehensive income/(loss) for the year		10,741	10,741	(60,966)
Total comprehensive income for the year		10,856,673	13,548,353	10,735,450
Profit for the year attributable to:				
Owners of parent		10,980,517	13,537,612	10,796,416
Non-controlling interest	23.1	(134,584)	-	-
		10,845,933	13,537,612	10,796,416
Total comprehensive income for the year attributable to:				
Owners of parent		10,991,257	13,548,353	10,735,450
Non-controlling interest	23.1	(134,584)	-	-
		10,856,673	13,548,353	10,735,450
Earnings per share				
Basic and diluted earnings per share (kobo)	12	90	113	90

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		GROUP	COMPANY	
		31/12/2013	31/12/2013	31/12/2012
		N'000	N'000	N'000
Assets				
Non-current assets				
Property, plant and equipments	13	41,847,307	26,250,037	17,898,310
Intangible assets	14	301,711	256,912	-
Other assets	15	109,693	109,693	7,904
Biological assets	16	487,215	-	-
Investments	17	-	3,214,923	864,647
Deferred tax assets	10.5	555,465	-	-
Total non-current assets		43,301,391	29,831,565	18,770,861
Current assets				
Inventories	18	11,826,594	11,097,891	14,030,303
Biological assets	16	12,124	-	-
Trade and other receivables	19	19,273,525	38,027,061	24,749,877
Other assets	15	290,877	290,877	442,195
Cash and cash equivalents	20	8,455,366	7,864,788	24,963,442
Total current assets		39,858,486	57,280,617	64,185,817
Total assets		83,159,877	87,112,182	82,956,678
EQUITY				
Share capital	21	6,000,000	6,000,000	6,000,000
Share premium	22	6,320,524	6,320,524	6,320,524
Retained earnings	23	34,838,649	41,496,988	33,948,635
		47,159,173	53,817,512	46,269,159
Non-controlling interest		(181,232)	-	-
		46,977,941	53,817,512	46,269,159
LIABILITIES				
Borrowings	24	385,052	-	-
Employee benefits	25.4	1,356,067	1,356,067	1,260,873
Deferred tax liabilities	10.5	4,741,717	4,359,916	3,000,568
Total non-current liabilities		6,482,836	5,715,983	4,261,441
Current tax liabilities	10.4	4,756,600	4,737,924	5,408,566
Trade and other payables	26	24,406,406	22,840,763	27,017,512
Borrowings	24	536,094	-	-
Total current liabilities		29,699,100	27,578,687	32,426,078
Total liabilities		38,181,936	33,294,670	36,687,519
Total equity and liabilities		83,159,877	87,112,182	82,956,678

These financial statements were approved and authorised for issue by the Board of Directors on 11th April 2014.

Abdullahi Sule
Deputy Chief Executive Officer
FRC no: FRC/2013/NSE/00000002065/

Olakunle Alake
Chief Operating Officer
FRC no: FRC/2013/ICAN/00000002214

Babatunde Ajao
Chief Financial Officer
FRC no: FRC/2013/ICAN/ 00000002066

The notes on pages 7 to 47 form an integral part of these financial statements

DANGOTE SUGAR REFINERY PLC

Consolidated and separate financial statements

For the year ended 31 December 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Attributable to equity holders of the parent N'000	Non- controlling interests N'000	Total N'000
Balance as at 1 January, 2011	6,000,000	6,320,524	26,769,129	39,089,653	-	39,089,653
Profit for the year	-	-	7,403,597	7,478,675	-	7,478,675
Other comprehensive loss(net of tax)						
Actuarial loss on gratuity scheme	-	-	(159,541)	(234,619)	-	(234,619)
			(159,541)	(234,619)	-	(234,619)
Balance as at 31 December, 2011	6,000,000	6,320,524	26,813,185	39,133,709	-	39,133,709
Profit for the year	-	-	10,796,416	10,796,416	-	21,592,832
Other comprehensive income (net of tax)						
Actuarial loss on gratuity	-	-	(60,966)	(60,966)	-	(121,932)
	-	-	(60,966)	(60,966)	-	(121,932)
			-	-		-
Total comprehensive income for the year	-	-	10,735,450	10,735,450	-	10,735,450
Dividend paid (Note 20a)	-	-	(3,600,000)	(3,600,000)	-	(3,600,000)
Balance as at 31 December, 2012	6,000,000	6,320,524	33,948,635	46,269,159	-	46,269,159
Profit for the year	-	-	10,980,516	10,980,516	(134,584)	10,845,932
Other comprehensive loss (net of tax)						
Actuarial gain gratuity	-	-	10,741	10,741	-	10,741
Total comprehensive income for the year	6,000,000	6,320,524	44,939,892	57,260,416	(134,584)	57,125,832
Effect of acquisition of subsidiaries under common control	-	-	(4,101,243)	(4,101,243)	(46,648)	(4,147,891)
Dividend paid (Note 23)	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
Balance as at 31 December, 2013	6,000,000	6,320,524	34,838,649	47,159,173	(181,232)	46,977,941

DANGOTE SUGAR REFINERY PLC

Consolidated and separate financial statements

For the year ended 31 December 2013

SEPERATE STATEMENT OF CHANGES IN EQUITY

Company	Share Capital	Share Premium	Retained Earnings	Attributable to equity holders of the parent	Total
	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January, 2011	6,000,000	6,320,524	26,769,129	39,089,653	39,089,653
Profit for the year	-	-	7,403,597	7,478,675	7,478,675
Other comprehensive loss(net of tax)					
Actuarial loss on gratuity scheme	-	-	(159,541)	(234,619)	(234,619)
			(159,541)	(234,619)	(234,619)
Balance as at 31 December, 2011	6,000,000	6,320,524	26,813,185	39,133,709	39,133,709
Profit for the year	-	-	10,796,416	10,796,416	21,592,832
Other comprehensive income (net of tax)					
Actuarial loss on gratuity	-	-	(60,966)	(60,966)	(121,932)
	-	-	(60,966)	(60,966)	(121,932)
			-	-	-
Total comprehensive income for the year	-	-	10,735,450	10,735,450	10,735,450
Dividend paid (Note 23)	-	-	(3,600,000)	(3,600,000)	(3,600,000)
Balance as at 31 December, 2012	6,000,000	6,320,524	33,948,635	46,269,159	46,269,159
Profit for the year	-	-	13,537,612	13,537,612	13,537,612
Other comprehensive loss (net of tax)					
Actuarial gain gratuity	-	-	10,741	10,741	10,741
Total comprehensive income for the year	-	-	13,548,353	13,548,353	13,548,353
Dividend paid (Note 23)	-	-	(6,000,000)	(6,000,000)	(6,000,000)
Balance as at 31 December, 2013	6,000,000	6,320,524	41,496,988	53,817,512	53,817,512

DANGOTE SUGAR REFINERY PLC

Consolidated and separate financial statements

For the year ended 31 December 2013

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

	Note	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Cash flows for operating activities				
Profit for the year		10,845,932	13,537,612	10,796,416
Adjustments for non-cash income and expenses:				
Income tax expense recognised in profit and loss	10	5,419,227	6,561,905	5,535,263
Depreciation	13	2,885,292	1,725,252	1,658,899
Impairment loss on property, plant and equipment	13	79,062	63,551	631,150
Impairment loss recognised on trade receivables		155,725	139,168	75,254
Impairment loss recognised on other receivables		342,166	342,166	-
Fair value adjustment on biological assets	16	373,915	-	-
Finance cost		67,164	-	-
Investment income	8	(1,491,638)	(1,491,637)	(1,314,653)
Transfer of assets	13	54,781	54,781	-
Actuarial gain/(loss) on gratuity scheme	24.5	15,344	15,344	89,654
Effect of acquisition of subsidiary		(15,178,674)	-	-
Changes in operating assets and liabilities:				
(Increase)/decrease in inventories		2,203,709	2,923,412	13,916,763
Increase in biological assets		(873,254)	-	-
(Increase)/decrease in trade and other receivables		5,843,107	(12,799,099)	(3,540,541)
(Increase)/decrease in other assets		49,529	49,529	(205,996)
Increase/(decrease) in trade payables		(2,611,105)	(4,176,748)	723,209
Increase in employee benefits		176,432	176,432	352,312
Cash generated from operations		8,356,714	7,035,895	28,538,422
Retirement benefits scheme payments	25	(81,237)	(81,237)	(7,009)
Tax paid in the year	10.4	(5,877,803)	(5,877,803)	(3,473,808)
Net cash from operating activities		2,397,674	1,076,855	25,057,605
Cash flows from investing activities				
Purchase of investment in subsidiary company		-	(3,214,923)	-
Purchase of Property, plant and equipment	13	(10,280,806)	(10,195,311)	(3,904,855)
Purchase of intangible assets	14	(301,711)	(256,912)	-
Interest received	8	1,491,638	1,491,637	1,314,653
Payment in respect of acquisition under common control	29.5	(3,214,923)	-	-
Net cash used in investing activities		(12,171,027)	(12,175,509)	(2,590,202)
Cash flows from financing activities				
Dividends paid	23	(6,000,000)	(6,000,000)	(3,600,000)
Payment of loans	24	(532,784)	-	-
Net cash used in financing activities		(6,532,784)	(6,000,000)	(3,600,000)
Net increase / (decrease) in cash and cash equivalents		(16,508,076)	(17,098,654)	18,867,403
Cash and cash equivalents at beginning of year	20	24,963,442	24,963,442	6,096,039
Cash and cash equivalents at end of December 2013	20	8,455,366	7,864,788	24,963,442

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**1. General information**

The Company was incorporated as a public Limited Liability Company on 4 January 2005 and commenced operations on 1 January 2006. The Company became quoted on the Nigerian Stock Exchange in March 2007 and its current shareholding is 68% by Dangote Industries Limited and 32% by the Nigerian public.

The ultimate controlling party is Dangote Industries Limited.

The registered address of the Company is located at GDNL Administrative Building, Terminal E, Shed 20 NPA Apapa Wharf Complex, Apapa, Lagos.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprises the Company and its subsidiary - Savannah Sugar Company Limited.

1.1 The principal activity

The principal activity of the Group is the refining of raw sugar and processing of sugar cane into edible sugar and the selling of refined sugar. The Group's products are sold through distributors across the country.

1.2 Going Concern status

The Company has consistently been making profits. 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.

1.3 Operating environment

Emerging markets such as Nigeria are subject to different risks than more developed markets, including economic, political and social, and legal legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Nigeria and the country's economy in general. The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. These conditions could slow or disrupt Nigeria's economy, adversely affecting the Group's access to capital and cost of capital for the Group and more generally, its business, results of operation, financial condition and prospects.

2 Application of new and revised International Financial Reporting Standards (IFRSs)**2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements**

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (cont'd)**

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group has a 95% ownership interest in Savannah Sugar Company Limited. The Group's 95% ownership interest in Savannah Sugar Company Limited gives the Group the same percentage of the voting rights in Savannah Sugar Company Limited. The Group's 95% ownership interest in Savannah Sugar Company Limited was acquired in January 2013 and there has been no change in the Group's ownership in Savannah Sugar Company Limited since then. The remaining 5% of the ordinary shares of Savannah Limited are owned by several shareholders, none individually holding more than two per cent.

The directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over Savannah Sugar Company Limited in accordance with the new definition of control and the related guidance set out in IFRS 10. The directors concluded that it has had control over Savannah Sugar Company Limited since the acquisition in January 2013 on the basis of the Group's absolute size of holding in Savannah Sugar Company Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of IFRS 10, Savannah Sugar Company Limited has been a subsidiary of the Company since January 2013.

The Company did not become a group until January 2013; hence restatement of balances was not required.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011).

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures.

The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (cont'd)**

primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The Group does not have investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that restatement of balances is not applicable.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 15, 16 and 40 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

comprehensive income and total comprehensive income.

New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (cont'd)

Amendments to IAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above), which has not resulted in material effects on statement of financial position as at 1 January 2012, as the Company became a group in January 2013.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments²

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures²

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities¹

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities¹

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effects of IFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (cont'd)****Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

3 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.

3.1 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The consolidated and separate 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.

The principal accounting policies are set out below:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.3 Basis of consolidation**

"Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation."

The results of subsidiaries acquired or disposed of during the year are included in the Group statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners' of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment that has been recognised in profit or loss.

3.4 Transactions eliminated on consolidation

Inter-Company transactions, balances and any gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but to the extent that there is no evidence of impairment.

3.5 Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent company and is presented separately in the consolidated statement of profit or loss, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. Total comprehensive income attributable to non controlling interests is presented on the "Non-controlling interests" in the statement of financial position, even if it can create negative non-controlling interests.

Changes in the ownership interest of a subsidiary that do not result in loss of control are accounted for as an equity transaction. Consequently, if Company acquires or partially disposes of a non controlling interest in a subsidiary, without losing control, any difference between the amount by which the non controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity.

3.6 Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted prospectively as of the date that transfer of interest was effected. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The difference between the consideration paid and the net assets acquired is accounted for directly in equity.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.7 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.

3.8 Revenue recognition

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and any estimated customer returns. Sales are stated at their invoiced amount which is net of value added taxes and discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are 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.

3.9 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 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.

3.10 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.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Past service cost is recognised immediately in the profit and loss account to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets, (if any). Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.11 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.12 Property, plant and equipment****i. 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 recognised in the statement of comprehensive income.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Depreciation is recognised 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 periods are as follows:

•Buildings	– 50 years (2%)
•Plant and Machinery	– 15 years (6.67%)
•Motor Vehicles	– 4 years (25%)
•Computer Equipment	– 3 years (33.3%)
•Tools and Equipment	– 4 years (25%)
•Furniture and Equipment	– 5 years (20%)
•Air craftt	– 25 years (4%)
•Freehold land is not depreciated.	

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3.12 Property, plant and equipment (cont'd)

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.

3.13 Leases

Leases are classified as finance leases 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 lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

3.14 Intangible assets**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. 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 asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.15 Impairment**

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.

3.16 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 inventory includes purchase cost, conversion cost (materials, labour and overhead) and other costs incurred to bring inventory to its 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.

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 realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation (when the time value of money is material).

The amount recognised as a provision is the best estimate of the consideration required to settle the present 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

When some or all of the economic benefits required to settle a provision are 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.

3.17.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. 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.

3.17.2 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 recognised as an asset on the statement of financial position). When we do 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.

3.18 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction cost 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.

Financial assets

Financial assets are classified into the following specified categories: financial assets „at fair value through profit or loss“ (FVTPL), „held-to-maturity“ investments, „available-for-sale“ (AFS) financial assets and „loans and receivables“. The 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 derecognised 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 or convention in the market place. The Group's financial assets comprise other loans and receivables.

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 on 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**Financial instruments (cont'd)****Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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 Group'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 default on receivables.

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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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.

3.19 Cash and cash equivalents

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

3.20 Financial liabilities and equity instruments issued by the Company**Classification as debt or equity**

Debts 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 recognised as a deduction from equity, net of any tax effects.

Financial liabilities

Financial liabilities are classified as either financial liabilities „at fair value through P&L (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; or 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.

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 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**3.21 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, if any. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, if any, for the effects of all dilutive potential ordinary shares.

3.22 Foreign currency transactions and translation

Items included in the financial statements of each of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Naira, which is the Group's functional and presentation currency.

3.22a Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the transaction date and are not restated.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined and are not restated.

3.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.24 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit and loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

3.25 Segment information

Information reported to the Chief Operating decision maker of the Company for the purposes of resource allocation and assessment of segment performance focuses on its sole product, refined sugar.

Hence, no segment reporting has been provided in the financial statements as the Company is solely involved in the refining and sale of only one product- refined Sugar and this is refined from its Apapa factory as well as the factory located in Numan.

4 Critical accounting judgements 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 ongoing 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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

4.1.1 Allowance 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.

4.1.2 Fair values of biological assets

The fair value of the biological asset is derived using a replacement cost approach. Management uses estimates for the costs to replace the biological asset by segmenting the assets into their various life circles less expected expected costs to produce and sell the sugar and molasses, which are determined by considering historical actual costs incurred on a per hecter basis. The estimated selling price and costs are subject to fluctuations based on the timing of prevailing growing conditions economic and market conditions as obtained from the various units directly involved in the sales and biological transformation of the assets.

4.2 Key sources of estimation uncertainty

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

4.2.1 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 income for the year.

4.2.2 Valuation of deferred tax

The recognition of deferred tax assets requires a assessment of future taxable profit. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the group's future financial performance and if necessary, implementation of tax planning strategies.

	GROUP	COMPANY	COMPANY
	31/12/2013	31/12/2013	31/12/2012
	N'000	N'000	N'000
5 Revenue			
Revenue from the sale of sugar - 50kg	100,381,353	99,732,874	105,236,556
Revenue from the sale of sugar - Retail	557,729	557,729	325,860
Revenue from the sale of molasses	120,927	83,032	90,062
Freight income	2,093,726	2,093,726	1,215,576
	103,153,735	102,467,361	106,868,054

Revenue comprises of both domestic and export sales.

5.1 Segment information

Information reported to the chief operating decision maker (the Group Managing Director) for the purposes of resource allocation and assessment of segment performance is based on the entity as a whole as there is no other distinguishable component of the entity that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group Managing Director to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

5.2 Geographical information

The Group's revenue from external customers by region of operations is listed below.

	GROUP	COMPANY	COMPANY
	31/12/2013	31/12/2013	31/12/2012
	N'000	N'000	N'000
Ghana	1,794,738	1,794,738	-
Nigeria:			
- Lagos	56,097,204	56,097,204	60,364,929
- North	30,065,627	29,379,254	30,649,787
- West	11,143,855	11,143,854	11,625,781
- East	4,052,311	4,052,311	4,227,557

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	103,153,735	102,467,361	106,868,054
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5.3 Information about major customers

There is a single customer who buys industrial Non- Fortified Sugar that represents more than 10% of total sales during the year.

5.3.1 Large Corporate/Industrial Users

These are leading blue chip companies in Nigeria, and they include manufacturers of confectioneries and soft drinks. This group typically accounts for 30% of the company's sales. They buy Non-Fortified sugar exclusively.

5.3.2 Distributors

The company sells non-fortified sugar mainly to pharmaceutical, food and beverage manufacturers, while Vitamin A-fortified sugar is sold to distributors who sell to small wholesalers, confectioners and other smaller value-adding enterprises who provide the distribution network to the Nigerian retail market. The Company sells a small amount of sugar directly to retail customers. Retail packaging comes in various sizes of 250g, 500g, and 1kg under the brand name "Dangote Sugar".

Sales to Distributors account for 70% of the company's revenue.

- 5.3.3** The Company provides a delivery service to customers by transporting refined sugar to other destinations. Freight income represents revenue earned in this respect during the year. The associated cost of providing this service is included in cost of sales.

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
6 Cost of sales			
Raw material	65,567,707	63,801,527	75,595,084
Direct labour cost	608,065	539,917	342,003
Direct overheads	8,283,193	8,210,618	5,718,829
Other overheads	19,778	18,898	7,394
Depreciation	2,159,542	1,009,527	804,739
Freight expenses	1,916,976	1,916,976	1,171,495
	78,555,261	75,497,463	83,639,544

6.1 Selling and distribution expenses

Carriage expenses	2,008,962	1,992,996	1,308,607
Selling and marketing expenses	1,425,899	1,425,899	808,712
	3,434,861	3,418,895	2,117,319

The selling and distribution expenses has been disclosed separately in these financial statements for a meaningful comparison

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
7 Administrative expenses			
Salaries and related staff cost	2,976,528	2,175,547	2,094,995
Depreciation	725,748	715,723	854,161
Utilities	182,907	129,819	208,684
Rents	59,679	58,385	41,220
Audit fees	40,700	32,000	32,000
Management fee(Note 28.6)	2,007,544	2,007,544	2,114,306
Directors' remuneration	91,946	91,946	40,000
Impairment loss	576,953	544,885	631,150
Fair value adjustment on biological asset	373,915	-	-
Legal and professional fees	180,591	160,359	64,793
Subscription and donations	284,969	281,199	22,325
Advertisements and promotions	63,404	63,404	120,736
Transport and travelling	131,620	98,305	116,116
Security expense	176,372	152,111	44,205
Insurance	87,433	51,017	136,283
Others	750,563	638,838	357,282
	8,710,872	7,201,142	6,878,796
8 Investment income			
Interest income on bank deposits	1,491,638	1,491,637	1,314,653
	1,491,638	1,491,637	1,314,653
Interest is earned on bank deposits at an average rate of 11.45 % p.a. on short term (30days) bank deposits			
9 Other income	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Insurance claims	35,350	2,962	-
Insurance claims on burnt assets	1,879,269	1,879,269	631,150
Sales of scrap materials	238,011	140,474	153,231
Profit from sale of property, plant and equipment	-	-	250
Export grant	235,314	235,314	-
	2,387,944	2,258,019	784,631
10 Taxation			
10.1 Income tax recognised in profit or loss			
Current Tax			
Income tax based on profit for the year	4,352,695	4,346,197	4,971,524
Education tax expense	391,727	391,727	371,843
In respect of prior years	469,237	469,237	-
	5,213,659	5,207,161	5,343,367
Deferred tax			
Deferred tax expense	132,109	1,281,285	191,896
In respect of prior years	73,459	73,459	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**5,419,227****6,561,905****5,535,263**

The tax rates used in the above comparative figures are the corporate tax rate of 30% payable by corporate entities in Nigeria. Education tax rate of 2% is also payable.

10.2 The income tax expense for the year can be reconciled to the accounting profit as follows:

	31/12/2013 N'000	31/12/2013 N'000	31/12/2012 N'000
Profit before tax	16,265,159	20,099,517	16,331,679
Income tax expense calculated at 30 %	4,879,548	6,029,855	4,899,503
Effect of capital gains tax rolled over	80,775	80,775	-
Effect of investment allowance, not recognised in accounting.	(98,602)	(98,602)	228,792
Effect of expenses which are not deductible in determining profits	23,016	21,884	84,561
Effect of income items that are exempt from tax	(406,430)	(406,430)	45,240
Effect of minimum tax adjustment	6,497	-	-
Others	-	-	(49,406)
Education tax	391,727	391,727	326,633
Adjustments recognised in the current year in relation to the deferred tax of prior years	73,459	73,459	-
Adjustments recognised in the current year in relation to the current tax of prior years	469,237	469,237	-
Income tax expense recognised in profit or loss	5,419,227	6,561,905	5,535,263

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
10.3 Income tax recognised in other comprehensive income			
Deferred tax			
Arising on income and expenditure on other Comprehensive income			
Actuarial loss on gratuity scheme (Note 25.2)	4,603	4,603	(28,688)
	4,603	4,603	(28,688)
10.4 Current tax liabilities in the statement of financial position			
Balance, beginning of the year	5,408,566	5,408,566	3,539,007
Effect of acquisition of subsidiary under common control	12,178	-	-
Charge for the year (Note 10.1)	5,213,659	5,207,161	5,343,367
Payment made during the year	(5,877,803)	(5,877,803)	(3,473,808)
Balance end of the year	4,756,600	4,737,924	5,408,566

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
10.4.1 Current tax Liabilities			
Income tax	4,352,695	4,352,650	4,971,524
Education tax	391,727	391,727	371,843
Provision in respect of under accruals in earlier years	469,237	469,237	65,200
	5,213,659	5,207,161	5,408,567
10.5 Deferred tax balances			
Deferred tax assets	555,465	-	-
Deferred tax liability	(4,741,717)	(4,359,916)	(3,000,568)
Net deferred tax assets/ (liabilities)	(4,186,253)	(4,359,916)	(3,000,568)

10.5.1 Deferred tax balances

The following is the analysis of deferred tax (assets)/liabilities presented in the statement of financial position:

	Opening balance N'000	Effect of acquisition of subsidiary under common control N'000	Movements recognised in the year by the company N'000	Recognised directly in equity N'000	Closing balance N'000
Group 31/12/13					
Deferred tax (liabilities)/assets in relation to:					
Property, plant and equipment @ 30%	(3,401,406)	(2,277,754)	(936,714)	-	(6,615,874)
Property, plant and equipment @ 10%	-	-	(80,775)	-	(80,775)
Exchange difference	-	-	(17,752)	-	(17,752)
Provisions	400,838	356,171	(284,741)	(4,603)	467,665
Unrelieved losses @ 30%	-	1,327,872	1,114,414	-	2,442,285
Capital gains tax on revaluation of land @ 10%	-	(381,801)	-	-	(381,801)
	(3,000,568)	(975,512)	(205,570)	(4,603)	(4,186,253)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

10.5 Deferred tax balances (cont'd)

	Opening balance N'000	Movements recognised in the year by the company N'000	Recognised directly in equity N'000	Closing balance N'000
Company				
<u>31/12/13</u>				
<i>Deferred tax (liabilities)/assets in relation to:</i>				
Property, plant and equipment @ 30%	(3,401,406)	(1,289,380)	-	(4,690,786)
Property, plant and equipment @ 10%	-	(80,775)	-	(80,775)
Exchange difference	-	(17,752)	-	(17,752)
Provisions	400,838	33,163	(4,603)	429,398
	<u>(3,000,568)</u>	<u>(1,354,745)</u>	<u>(4,603)</u>	<u>(4,359,916)</u>
	Opening balance N'000	Movements recognised in the year by the company N'000	Recognised directly in equity N'000	Closing balance N'000
<u>31/12/12</u>				
<i>Deferred tax (liabilities)/assets in relation to:</i>				
Property, plant and equipment @ 30%	3,222,860	112,703	-	3,335,563
Allowance for doubtful debts	(151,878)	129,302	-	(22,576)
Provisions for employee benefit	(233,622)	(50,109)	(28,688)	(312,419)
	<u>2,837,360</u>	<u>191,896</u>	<u>(28,688)</u>	<u>3,000,568</u>

11 Profit for the year is arrived at after charging:

	GROUP 12/31/2013 N'000	COMPANY 12/31/2013 N'000	COMPANY 12/31/2012 N'000
Impairment of property, plant and equipment	79,062	63,551	631,150
Depreciation of property, plant and equipment	2,885,292	1,725,252	1,658,899
Impairment loss recognised on trade receivables	155,725	139,168	75,254
Defined contribution plans Gratuity scheme - current	191,622	191,622	76,502
service and finance costs	69,977	191,731	262,658
Auditors remuneration	40,700	32,000	32,000

12 Earnings per share

The earnings weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	GROUP 10,845,932	COMPANY 13,537,612	COMPANY 10,796,416
Profit for the year			
Earnings used in the calculation of basic earnings per share from continuing operations	<u>10,845,932</u>	<u>13,537,612</u>	<u>10,796,416</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Basic and diluted EPS (kobo)	90	113	90

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

13 Property, Plant and Equipment Group

	Freehold Land & Buildings N'000	Plant & Machinery N'000	Tools & Equipment N'000	Motor Vehicles N'000	Computer Equipment N'000	Furniture & Fittings N'000	Aircraft	Capital Work In Progress N'000	Total N'000
COST:									
Balance as at 1/01/2012	4,810,871	10,817,492	37,805	3,461,876	18,043	35,308	-	3,462,582	22,643,977
Additions during the year	86,442	431,870	57,007	60,105	4,496	9,574	-	3,255,361	3,904,855
Re-classifications	32,017	1,973,407	224,630	-	508	-	-	(2,230,562)	-
Impairment	-	(1,071,517)	-	-	-	-	-	-	(1,071,517)
									-
Balance, 31/12/2012	<u>4,929,330</u>	<u>12,151,252</u>	<u>319,442</u>	<u>3,521,981</u>	<u>23,047</u>	<u>44,882</u>	<u>-</u>	<u>4,487,381</u>	<u>25,477,315</u>
Effect of acquisition of subsidiary under common control	9,576,069	6,021,310	1,996,164	1,447,208	5,161	48,051	-	-	19,093,963
Additions during the year	55,781	3,244,334	43,752	4,343,235	7,232	28,893	899,828	1,657,751	10,280,806
Disposal	-	-	-	-	-	-	-	(54,781)	(54,781)
Balance, 31/12/2013	<u>14,561,180</u>	<u>21,416,896</u>	<u>2,359,358</u>	<u>9,312,424</u>	<u>35,440</u>	<u>121,826</u>	<u>899,828</u>	<u>6,090,351</u>	<u>54,797,303</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT:									
Balance as at 1/1/2012	572,623	4,016,056	24,682	1,715,057	15,176	16,879	-	-	6,360,473
Charge for the year	96,976	707,764	5,423	841,412	2,303	5,021	-	-	1,658,899
Impairment	-	(440,367)	-	-	-	-	-	-	(440,367)
Balance, 31/12/2012	<u>669,599</u>	<u>4,283,453</u>	<u>30,105</u>	<u>2,556,469</u>	<u>17,479</u>	<u>21,900</u>	<u>-</u>	<u>-</u>	<u>7,579,005</u>
Effect of acquisition of subsidiary under common control	405,890	358,651	898,274	723,604	364	19,854	-	-	2,406,637
Charge for the year	265,043	1,031,354	576,414	988,897	3,029	17,597	2,958	-	2,885,292
Impairment	-	-	-	79,062	-	-	-	-	79,062
Balance, 31/12/2013	<u>1,340,532</u>	<u>5,673,458</u>	<u>1,504,793</u>	<u>4,348,032</u>	<u>20,872</u>	<u>59,351</u>	<u>2,958</u>	<u>-</u>	<u>12,949,996</u>
NET BOOK VALUE:									
Balance, 31 Dec. 2012	<u><u>4,259,731</u></u>	<u><u>7,867,799</u></u>	<u><u>289,337</u></u>	<u><u>965,512</u></u>	<u><u>5,568</u></u>	<u><u>22,982</u></u>	<u><u>-</u></u>	<u><u>4,487,381</u></u>	<u><u>17,898,310</u></u>
Balance, 31 Dec. 2013	<u><u>13,220,648</u></u>	<u><u>15,743,438</u></u>	<u><u>854,565</u></u>	<u><u>4,964,392</u></u>	<u><u>14,568</u></u>	<u><u>62,475</u></u>	<u><u>896,870</u></u>	<u><u>6,090,351</u></u>	<u><u>41,847,307</u></u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

13 Property, Plant and Equipment

Company	Buildings N'000	Plant & Machinery N'000	Tools & Equipment N'000	Motor Vehicles N'000	Computer Equipment N'000	Furniture & Fittings N'000	Aircraft	Capital Work In Progress N'000	Total N'000
COST:									
Balance as at 31/12/2011	4,810,871	10,817,492	37,805	3,461,876	18,043	35,308	-	3,462,582	22,643,977
Additions during the year	86,442	431,870	57,007	60,105	4,496	9,574	-	3,255,361	3,904,855
Re-classifications	32,017	1,973,407	224,630	-	508	-	-	(2,230,562)	-
Impairment	-	(1,071,517)	-	-	-	-	-	-	(1,071,517)
									-
Balance as at 31/12/2012	4,929,330	12,151,252	319,442	3,521,981	23,047	44,882	-	4,487,381	25,477,315
Additions during the year	20,751	3,244,334	36,690	4,326,150	5,720	28,023	899,828	1,633,815	10,195,311
Disposal	-	-	-	-	-	-	-	(54,781)	(54,781)
Balance, 31/12/2013	4,950,081	15,395,586	356,132	7,848,131	28,767	72,905	899,828	6,066,415	35,617,845
ACCUMULATED DEPRECIATION AND IMPAIRMENT:									
Balance as at 31/12/2011	572,623	4,016,056	24,682	1,715,057	15,176	16,879	-	-	6,360,473
Charge for the year	96,976	707,764	5,423	841,412	2,303	5,021	-	-	1,658,899
Impairment	-	(440,367)	-	-	-	-	-	-	(440,367)
Balance as at 31/12/2012	669,599	4,283,453	30,105	2,556,469	17,479	21,900	-	-	7,579,005
Charge for the year	98,600	910,928	76,643	625,522	2,627	7,973	2,959	-	1,725,252
Impairment	-	-	-	63,551	-	-	-	-	63,551
Disposal	-	-	-	-	-	-	-	-	-
Balance, 31/12/2013	768,199	5,194,381	106,748	3,245,542	20,106	29,873	2,959	-	9,367,808
NET BOOK VALUE:									
Balance, 31 Dec. 2012	4,259,731	7,867,799	289,337	965,512	5,568	22,982	-	4,487,381	17,898,310
Balance, 31 Dec. 2013	4,181,882	10,201,205	249,384	4,602,589	8,661	43,032	896,869	6,066,415	26,250,037

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

13.3 Impairment loss recognised during the year

Impairment loss of N79,062 was recognised in the Group in the current year. While an impairment loss N63,551 (2012 nil) was recognised in the current year in the Company

13.4 Assets pledged as security for any liabilities.

The Group borrowing are secured on an all asset debenture over the present and future fixed and floating assets of Savannah Sugar Company Limited to be shared pari-passu with other existing lenders.

14 Intangible assets

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Cost			
Balance at 1 January 2012	-	-	-
Additions	-	-	-
Balance at 31 December 2012	-	-	-
Additions	301,711	256,912	-
Balance at 31 December 2013	301,711	256,912	-
Accumulated amortisation and impairment			
Balance at 1 January 2012	-	-	-
Amortisation expense	-	-	-
Balance at 31 December 2012	-	-	-
Amortisation expense	-	-	-
Balance at 31 December 2013	301,711	256,912	-

This represents investment in respect of new SAP software. This will be amortised over the useful life of the software. The amortisation will commence in the next financial year.

15 Other assets

Prepaid rent	362,452	362,452	135,267
Prepaid insurance	24,441	24,441	12,045
Others	13,677	13,677	158,364
Prepaid duty	-	-	144,423
	400,570	400,570	450,099
Current portion	290,877	290,877	442,195
Non-current portion	109,693	109,693	7,904
	400,570	400,570	450,099

16 Biological Assets

Carrying value at the beginning of the year	609,454	-	-
Additions	263,800	-	-
Fair value adjustment	(373,915)	-	-
Carrying value as at year end	499,339	-	-
The carrying value comprises of:			
Roots	487,215	-	-
Standing Cane	12,124	-	-
	499,339	-	-

In terms of IAS 41: Agriculture, sugar cane growing crops are accounted for as biological assets and are measured and recognised at fair value.

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
17 Investment			

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Algerian Land	-	-	864,647
Savannah Sugar Company Limited	-	3,214,923	-
	-	3,214,923	864,647

- a. The Algerian land represents the investment in 2008 in Algerian land for the intended purpose of expansion of the Company's activities through an Algerian Company SPA Dangote Algerie. Subsequent to the payment for the Land, the Algerian Government, without revoking the Algerian company's title to the Land, refused the siting of the proposed Refinery at the Port citing that the site is not suitable for the intended purpose. The company lost control over this company in late 2010. The balance has been disclosed as a deposit for land in the current year as this is what it substantially represents, since the Company is no longer thinking of operating the Algerian Company.
- b. Investment in Savannah represents the cash consideration paid in January 2013 for 95% share holding in Savannah Sugar Company Limited

18 Inventories	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Raw materials	7,479,108	7,479,108	4,204,704
Packaging materials	37,594	37,594	16,214
Work-in-process	104,074	104,074	142,590
Finished goods	585,468	580,161	1,074,312
Chemicals and consumables	685,206	236,997	681,169
Spare parts	3,772,282	2,659,957	430,993
Goods- in- transit	-	-	7,480,321
Allowance for obsolete inventory	(837,138)	-	-
	11,826,594	11,097,891	14,030,303

18.1 No inventory was pledged as security for any liability.

18.2 The cost of inventory recognised in profit or loss during the year is

GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
65,567,707	63,801,527	75,595,084

19 Trade and other receivables	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Trade receivables	8,720,281	7,651,599	7,681,681
Allowance for doubtful debts	(1,715,834)	(647,151)	(507,983)
	<u>7,004,447</u>	<u>7,004,448</u>	<u>7,173,698</u>
Staff loans and advances	152,959	77,389	69,627
VAT receivable	248,279	248,279	-
Deposit for Land	864,647	864,647	-
Insurance claim receivable in relation to assets destroyed in fire	374,500	374,500	631,150
Negotiable Duty Credit Certificates	805,683	805,683	-
Other receivables	6,781,957	1,223,485	1,076,283
Refundable sugar price differential	2,019,466	2,019,466	-
Amount due from related parties – (Note 28.3)	<u>1,021,587</u>	<u>25,409,164</u>	<u>15,799,119</u>
	<u>12,269,078</u>	<u>31,022,613</u>	<u>17,576,179</u>
	<u>19,273,525</u>	<u>38,027,061</u>	<u>24,749,877</u>

19.1 Trade receivables

The average credit period on sales of goods is 30 days. Allowances for doubtful debts are recognised against trade receivables outstanding beyond 365 days based on estimated irrecoverable amounts.

Previous experience has shown that receivables that are past due after 365 days are doubtful of recovery. Allowances for doubtful debts are recognised against trade receivables due over 180 days and below 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current position.

Before accepting any new customer to buy on credit, the customer must have purchased goods on cash basis for a minimum period of six months in order to test the financial capability of the customer.

Based on good credit rating by the credit committee of the company, the customer may be allowed to migrate to credit purchases after the presentation of an acceptable bank guarantee which must be valid for one year.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due more than 30 days as at the reporting date for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

19.2 Age analysis of trade receivables that are past due but not impaired

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Above 30days	6,783,363	6,783,363	6,809,142

19.3 Age analysis of trade receivables that are past due and impaired

	GROUP 31/12/2013 N'000	COMPANY 31/12/2013 N'000	COMPANY 31/12/2012 N'000
Above 365 days	1,715,834	647,151	507,983
	GROUP	COMPANY	COMPANY

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	31/12/2013	31/12/2013	31/12/2012
	N'000	N'000	N'000
Allowance for credit losses			
Balance brought forward	507,983	507,983	506,033
Effect of acquisition under common control	1,052,127	-	-
Impairment losses recognised on receivables	155,725	139,168	75,254
Amounts recovered during the year	-	-	(73,304)
	1,715,835	647,151	507,983

19.4 Concentration risk

About 32% of the trade receivables are due from a single customer. The Company evaluates the concentration of risk with respect to trade receivables as low, as the concentration is with a well-established local blue chip company. Its customers otherwise are diverse including both corporate entities and a large number of individual end users. The requirement for impairment is analysed at each reporting date on an individual basis for corporate and individual customers.

20 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and short term deposits with 30 days tenure. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	GROUP	COMPANY	COMPANY
	12/31/2013	12/31/2013	31/12/2012
	N'000	N'000	N'000
Cash in hand	13,953	13,271	12,725
Bank balances	3,791,413	3,201,517	3,450,717
Short term deposits	4,650,000	4,650,000	21,500,000
	8,455,366	7,864,788	24,963,442

The short term deposits are placed on call of 30 days tenure with interest ranging between 9% to 13%

21 Share capital

The balance in the share capital account was as follows:

Authorised: 12,000,000,000
Ordinary shares of 50k each

Allotted, called up issued and fully paid:
12,000,000,000 Ordinary shares of 50k each

COMPANY	COMPANY
12/31/2013	12/31/2012
N'000	N'000
6,000,000	6,000,000
6,000,000	6,000,000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 Share premium

Authorised: 12,000,000,000 ordinary shares of 50k each issued at 52.6710k premium

6,320,524

6,320,524

Share premium represents the excess of the shareholders' value over the nominal share capital at the point of the commencement of operations in January 2006.

	GROUP	COMPANY	COMPANY
	12/31/2013	12/31/2013	31/12/2012
	N'000	N'000	N'000
Balance at the beginning of the year	33,948,635	33,948,635	26,813,185
Profit for the year (attributable to owners)	10,980,516	13,573,612	10,796,416
Effect of acquisition of subsidiary under common control (29.6)	(4,101,243)	-	-
Other comprehensive income	10,741	10,741	(60,966)
Payment of dividend (31.1)	(6,000,000)	(6,000,000)	(3,600,000)
	34,838,649	41,496,988	33,948,635

23.1 Non controlling interest

Non controlling interest's share of pre acquisition net assets

46,648

-

-

Share of profit for the year

134,584

-

-

Balance at end of year

181,232

-

-

24 Borrowings

Secured borrowing at amortised cost
Bank loans

921,146

-

-

921,146

-

-

Current

536,094

-

-

Non-current

385,052

-

-

921,146

-

-

Balance on acquisition under common control
Payments in the year

1,453,930

-

-

(532,784)

-

-

921,146

-

-

24.1 Fixed interest rate agricultural loan with remaining maturity periods not exceeding 3 years. The loan is at an interest rate of 9%.

24.2 The Group borrowing are secured on an all asset debenture over the present and future fixed and floating assets of Savannah Sugar Company Limited to be shared pari-passu with other existing lenders.

25 Retirement benefit obligation

25.1 Movement in retirement benefit

	GROUP & COMPANY	
	30.12.2013	31.12.2012
	N'000	N'000
Balance as at 1 January	1,260,869	915,570
Current service charge	122,819	141,419
Finance cost	121,846	121,239
Actuarial losses - change in assumption	(145,277)	-
Actuarial losses - experience	129,933	89,654

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Benefits paid from plan	(81,237)	(7,009)
Curtailments Gains/Losses	(52,885)	-
	<u>1,356,067</u>	<u>1,260,873</u>

As at the date of the valuation, no fund has been set up from which payments can be disbursed. The Company expects to settle its obligations out of its existing reserves

25.2 Retirement benefit plans

The amount included in the other comprehensive income arising from the entity's obligation in respect of its defined benefit plan is as follows.

	GROUP & COMPANY	
	30.12.2013	31.12.2012
	N'000	N'000
Actual gain/(losses) recognised in the year	15,344	(89,654)
Tax impact (see note 10.3)	(4,603)	28,688
	<u>10,741</u>	<u>(60,966)</u>

25.3 Defined contribution plans

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees contribute 7.5% of their gross salary (basic, housing and transport) while the Group contributes an equal amount on behalf of the employees to the same plan.

The obligation of the Group as the employer with respect to the retirement benefit plan is recognised as an expense in the statement of profit or loss and amounts to N93.5 million.

25.4 Defined benefit plans

The Group operates defined benefit plans for all qualifying employees. Under the plan, the employees are entitled to retirement benefits which vary according to length of service. No other post-retirement benefits are provided for these employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Project Unit Credit Method

The most recent Actuarial Valuation was carried out in 2014 using the staff payroll of 30 September 2013

In calculating the liabilities, the consultant took the following into recognition:

- ** length of service rendered by each member of staff at the review date
- ** discounting of the expected benefit payments.

25.4 Defined benefit plans (cont'd)

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

25.4a Financial Assumptions

The principal financial assumptions used for the purposes of the actuarial valuations were as follows:

	as at 2013	as at 2012
	%	%
Long term average discount rate (p.a)	13	14
Average pay increase (p.a)	12	12
Average rate of inflation (p.a)	10	9

25.5 Demographic assumptions

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 tables, published jointly by the institute and the Faculty of Actuaries in the UK

Sample age	Number of deaths in a year of age out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

Withdrawal from Service

Age band	Rate (%)
Less than or equal to 30	4.0
31-39	5.0
40-44	5.5
45-50	3.0
51-60	2.0

	GROUP 31/12/2013	COMPANY 31/12/2013	COMPANY 31/12/2012
26 Trade and other payables			
Trade payables	15,596,813	15,477,683	21,418,034
Accruals & sundry creditors	1,996,035	1,843,770	973,098
Other credit balances	4,326,132	4,111,268	2,856,329
Due to related parties(Note 28.4)	2,487,426	1,408,041	1,770,051
	24,406,406	22,840,763	27,017,512
(a) Other credit balances is made up of the following:			
Other Suppliers' accounts	2,200,118	2,200,118	916,811
VAT Payables	152,365	-	641,672
Advance payment for refined Sugar	1,332,597	1,332,597	924,245
Contractors account	155,742	155,742	329,795

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Other creditors	485,310	422,811	43,806
	4,326,132	4,111,268	2,856,339

27

27.1 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its capital structure.

The capital structure of the Group is made up of equity comprising issued capital, share premium and retained earnings. The Company is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2013 of 2% (see below) was at the lower end of the target range, and has returned to a more typical level of 23% after the end of the reporting period.

"Gearing ratio

The gearing ratio at year end is as follows:"

	GROUP 31-Dec-13 N'000	COMPANY 31-Dec-13 N'000	COMPANY 31-Dec-12 N'000
Debt (i)	921,146	-	-
Equity (ii)	47,159,173	53,817,512	46,269,159
Debt to equity ratio	2%	0%	0%

i. Debt is defined as both current and non-current borrowings.

ii. Equity includes all capital and reserves of the company that are managed as capital

27.2 Categories of financial instruments

	GROUP 31-Dec-13 Loans and receivables N'000	COMPANY 31-Dec-13 Loans and receivables N'000	COMPANY 31-Dec-12 Loans and receivables N'000
Trade and other receivables	19,273,525	38,027,061	24,844,649
Cash and cash equivalents	8,455,366	7,864,788	24,963,442
	27,728,891	45,891,849	49,713,319
	Other Financial Liabilities	Other Financial Liabilities	Other Financial Liabilities

27.3	Borrowings	921,146	-	-
	Trade and other payables	24,406,406	22,840,763	27,112,284
		22,840,763	22,840,763	27,112,284

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**25,327,552****27.4 Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

27.5 Financial risk management

The Company is exposed to market risk, credit risk 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 group's net income.

27.6 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are affected by interest rate risk and foreign exchange currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables and trade and other payables. Market risk exposures are measured using sensitivity analysis.

27.6.2 Interest rate risk

The Group has fixed interest rate borrowings and as such, are not exposed to any significant interest rate risk that normally would not arise from floating rate liabilities.

27.6.3 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates is limited to foreign currency purchases of operating materials (e.g. finished equipment and other inventory items) and trade receivables that are denominated in foreign currencies. Foreign exchange exposure is monitored by the group's treasury unit.

Monetary assets (USD)

	Group	Company	
	31/12/2013	31/12/2013	31/12/2012
	N'000	N'000	N'000
Bank balance	442,994	442,994	291,458
	442,994	442,994	291,458

Monetary liabilities (USD)**Group****Company**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	31/12/2013	31/12/2013	31/12/2012
	N'000	N'000	N'000
Trade and other payables	15,475,912	15,475,912	21,418,033
	15,475,912	15,475,912	21,418,033

27.7 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its investing activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial institutions. The

Group has a credit management committee that is responsible for carrying out preliminary credit checks, review and approval of bank guarantees to credit customers. A credit controller also monitors trade receivable balances and resolves credit related matters.

27.7.1 Trade receivables (see note 19)

Concentration of risk

About 32% of the trade receivables are due from a single customer whose credit history is good. The Group 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 analysed at each reporting date on an individual basis for corporate and individual customers.

27.7.2 Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with its corporate treasury policy that spells out counterparty limits, list of financial institutions that the Group 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.

27.7.3 Maximum exposure to credit risks

The carrying value of the Group's financial assets represents its maximum exposure to credit risk.

The maximum exposure to credit risk at the reporting date was:

		GROUP	COMPANY	COMPANY
		31/12/2013	31/12/2013	31/12/2012
		N'000	N'000	N'000
Trade receivables	Note 19	7,004,447	7,004,448	7,173,698
Other receivables	Note 19	11,247,491	5,613,449	1,777,060
Deposits with banks	Note 20	4,650,000	4,650,000	21,500,000
Amount due from related parties	Note 28.3	1,021,587	25,409,164	15,893,891
		23,923,525	42,677,061	46,344,649

27.8 Liquidity risk management

The Company monitors its risk to a shortage of funds by maintaining a balance between continuity of funding and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

assets and liabilities. To manage liquidity risk our allocation of letters of credit on raw sugar and spares/chemicals are spread over dedicated banks. Therefore, the establishment of these Letters of Credit which are commitments by the banks provides security to our funds placed on deposit accounts. In other words our funds placed are substantially tied to our obligations on raw sugar and spares.

27.8.1 Liquidity maturity table

The following table details the Group's and Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cashflows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	GROUP			
	<1 month	1-3months	3months -1yr	1-2yrs
As at 31 December 2013				
Loans and borrowings	42,862	130,523	362,709	385,052
Trade payables	3,556,977	12,039,836	-	-
Other payables	8,962,454	-	-	-
	<u>12,409,432</u>	<u>12,058,623</u>	<u>35,451</u>	<u>13,109</u>

	COMPANY			
	<1 month	1-3months	3months -1yr	1-2yrs
As at 31 December 2013				
Trade payables	3,437,847	12,039,836	-	-
Other payables	7,363,080	-	-	-
	<u>10,800,927</u>	<u>12,039,836</u>	<u>-</u>	<u>-</u>

28 Related party information

28.1 Identity of related parties

Related parties Nature of related party transactions

Fellow subsidiary company that provided haulage

Dangote Transport Limited services prior to 2010.

Dangote Textile Industries Limited

Dansa Foods Limited

NASCON

Fellow subsidiary company that provided haulage services prior to 2010

Fellow subsidiary company that exchanges inventory of Automotive gas oil(AGO)and low pour fuel oil (LPFO) An entity controlled by the Directors of the Company that has trading relationship with the Company.

Fellow subsidiary from which the Company purchases raw salt as input in the production process

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Dangote Nigeria Clearing Limited clearing	Fellow subsidiary Company that provides and stevedoring services
Savannah Sugar Company Plc	Subsidiary- Exchange of spare parts
Dangote Industries Limited (see note 28.3)	Parent company that provides management support and receives 2% of turnover as management fees
Green view Development Company Limited	Fellow subsidiary - Property rentals. (see note 28.4)
Key management personnel	
Dangote Nigeria Clearing Limited	Fellow subsidiary - clearing services
Dangote Cement Plc LPFO	Related company - exchange of diesel and
Bluestar Investments U.K	Related company, supplier of inventory
Dangote Flour Mills Plc	Related company -Supplies of power
Dangote Pasta Limited	Related company -Exchange of AGO LPFO
Dangote Noodles Limited	Related company- Exchange of AGO LPFO and sometimes buys sugar
Dangote Agrosacks sacks	Related company- Supplies empty for bagging of finished sugar

28.2 Effective 30 September 2012, a majority shareholding in Dangote Flour Mills Plc, and its subsidiaries Dangote Noodles Limited, Dangote Pasta Limited and Dangote Agrosacks was acquired by Tiger Brands, an unrelated South African Company. Alhaji Aliko Dangote retains 10% of the controlling interest in the Company, and sits on the Board of the new Companies as a Director, in his personal capacity. Thus, these companies still meet the definition of a related party as the Companies are under the significant influence of the ultimate controlling party of the Company.

28.3 The following balances were outstanding from related parties at the end of the reporting period

Amount owed by related parties	GROUP 31/12/2013	COMPANY 31/12/2013	COMPANY 31/12/2012
Dangote Textile Industries Limited	-	-	-
Dansa Foods Limited	11,038	11,038	1,990
Dangote Nigeria Clearing Limited	23,263	23,263	18,522
Savannah Sugar Company Plc	-	24,342,055	68,126
Dangote Flour Mills Plc	198,529	198,529	53,922
DIL Strategic Supplies	216,709	216,709	-
Dangote Pasta Limited	480,044	56,153	56,153
Dangote Industries Limited	514,662	514,662	15,562,355
Dangote Noodles Limited	13,351	13,351	8,014
Dangote Group Transport Maintenance	30,037	30,037	30,037
National Salt Company of Nigeria Plc	52,266	52,266	-
Dangote Nigeria Limited	60	60	-
Dancom Technologies	558	11,462	-
Dangote Ports Operations	3	3	-

DANGOTE SUGAR REFINERY PLC

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Impairment of related party receivables	(60,424)	(60,424)	-
	1,021,587	25,409,164	15,799,119

28.4 The following balances were due to related parties at the end of the reporting period (see note 22).

Amount owed to related parties	GROUP 31/12/2013	COMPANY 31/12/2013	COMPANY 31/12/2012
Dangote Cement Plc	1,915,723	859,999	1,327,913
Greenview Development Company Limited	166,152	166,152	162,390
Dangote Agrosacks Nigeria Limited	140,514	140,513	26,919
Bluestar Investments U.K	238,474	238,474	238,473
National Salt Company PLC	-	-	14,356
Dangote Foundation	2,903	2,903	-
Dangote Group Transport Maintenance	23,660	-	-
Dangote Industries Limited	34,618	-	-
	2,487,426	1,408,041	1,770,051

The balances due from/to relating the same entities have been merged for more meaningful disclosure.

28.5 Sales of goods to related parties were made at the company's usual market price without any discount to reflect the quantity of goods sold to related parties. Purchases were made at market price and there was no discount on all purchases.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

28.6 Dangote Industries Limited (D.I.L) entered into an agreement with Dangote Sugar Refinery Plc on management and technical services dated 2 January 2006. The agreement is for an initial period of five years with an option to renew for a further period of five years subject to termination by either party in accordance with the terms of the agreement. As consideration for the services provided by D.I.L, a sum equivalent to 2% of the net revenue from sale of sugar from Dangote Sugar Refinery Plc for each month will be paid to D.I.L. The agreement has been renewed.

The amount due from the holding company represents current account balances

Related party information (cont'd)**28.7 Loans to and from related parties**

There are no loans from or to related parties

28.8 Key Management personnel**LIST OF DIRECTORS OF DSR**

- 1 ALH. ALIKO DANGOTE (GCON)
- 2 MR. GRAHAM CLARK
- 3 ENGR. ABDULLAHI SULE
- 4 ALH. SANI DANGOTE
- 5 MR. OLAKUNLE ALAKE
- 6 MR. UZOMA NWANKWO
- 7 MS. BENNEDIKTER MOLOKWU
- 8 DR. KONYINSOLA AJAYI (SAN)
- 9 ALH. ABDU DANTATA
- 10 MARYAM BASHIR

- CHAIRMAN
GROUP MANAGING DIRECTOR
DEPUTY GROUP MANAGING DIRECTOR
BOARD MEMBER
"
"
"
"
"
"

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

LIST OF KEY MANAGEMENT STAFF

1	MR. GRAHAM CLARK	GROUP MANAGING DIRECTOR/CEO
2	ENGR. ABDULLAHI SULE	DEPUTY GROUP MANAGING DIRECTOR
3	MR. MARTIN WELCH	GROUP TECHNICAL MANAGER
4	MR. MAYROUD EL-SUNNI	ED - ENGR. & OPRS
5	ENGR. BRAIMAH OGUNWALE	GENERAL MANAGER, REFINERY
6	MR. ABDULSALAM WAYA	HEAD, SALES/MARKETING
7	MR. MURTALA ZUBAIR	DGM, HR/ADMIN
8	MR. CHRIS OKOH	PROCESS MANAGER
9	MR. YUSUF SULEIMAN	CHIEF FINANCIAL OFFICER

28.8 DIRECTORS AND KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the year comprised short term benefits of N91.946 million (2012: N83.005 million)

28.9 Directors

	Group 31/12/2013 N'000	Company 31/12/2013 N'000	31/12/2012 N'000
Directors' emoluments comprise:			
Fees	18,500	18,500	2,100
Salaries	60,716	60,716	31,144
Others	73,445	73,445	4,500
	152,661	152,661	37,744
Emoluments of the highest paid Director were	31,144	31,144	31,144
N'000			
0 - 19000	8	8	8
20000 - 25000	-	-	-
26000 - 31000	2	2	1
38000 - 43000	-	-	-

28.1

Employees

Average number of persons employed during the year:

	Group 31/12/2013 N'000	Company 31/12/2013 N'000	31/12/2012 N'000
Management	40	26	21
Senior staff	332	229	227
Junior staff	930	396	411
	1302	651	659
Aggregate payroll costs:			
Wages, salaries, allowances and other benefits	3,272,472	2,430,450	2,038,650
Provision for gratuity	191,622	191,622	323,846
Pension cost	120,499	93,392	76,502
	3,584,593	2,715,464	2,438,998

The number of employees with gross emoluments within the bands stated below are:

Group 31/12/2013	Company 31/12/2013	31/12/2012
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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	N'000	Number	Number	Number
401-600		305	8	18
601-800		186	81	24
801-1000		246	73	59
1001-2000		341	279	347
2001-1bove		224	210	211
		1,302	651	659

29. Business combinations

29.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
2013				
Savannah Sugar Company Limited	Growing of cane and production of sugar	Jan-13	95%	3,214,923

Savannah was acquired to facilitate the Group's backward integration plan.

29.2 Consideration transferred

The consideration was cash of N3,214,923 paid to Dangote Industries Limited.

29.3 Assets acquired and liabilities recognised at the date of acquisition – January 2013

	N'000
Current assets	
Inventories	1,505,539
Trade and other receivables	75,582
Cash and bank balances	134,775
Non current assets	
Property, plant and equipment	16,687,326
Biological assets	609,454
Deferred tax	-
Current liabilities	
Trade and other payables	(16,396,432)
Current tax liabilities	(12,177)
Non current tax liabilities	
Borrowings	(1,453,930)
Intercompany loans	(1,107,592)
Deferred tax	(975,513)
	(932,968)

29.4 Non-controlling interests

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The non-controlling interest (5% ownership interest in Savannah Company Limited) recognised at the acquisition date was measured by the proportionate share of net assets method at N27,558

29.5 Net cash outflow on acquisition of subsidiaries**N'000**

Consideration paid in cash	3,214,923
Less: cash and cash equivalent balances acquired	(134,775)
	3,080,148

29.6 Effect of acquisition of subsidiary under common control

The group has opted for merger accounting in accounting for subsidiary acquired

Purchase consideration	3,214,923
Parent Company's share of Net Assets acquired (95% in Savannah)	886,320
	4,101,243

30 Contingent assets and Contingent liabilities

The group is also subject to additional assessed tax liability to the tune of N141, 204,573.42 based on the 2012 tax audit carried by Lagos State Inland Revenue Service.

The group is subject to disputes and claims that arise in the normal course of business. As at 31 December the entity was subject to claims and disputed amounts of NGN244,663,438.12 (2012 - nil) We have not made any provisions for these contingencies based on advice from the group's legal experts that the outflow of benefits is unlikely as the group is currently trying to resolve these issues with relevant parties

Contingent assets

None

31 Capital commitments

As at 31 December 2013, there were capital commitments in respect of the Lagos factory expansion which amounted to N475.8million (2012: N6billion)

32 Event after the reporting period**32.1 Proposed Dividends**

At the Board Meeting held on 11 April 2014, the Board recommended a dividend of 60k- per ordinary share to be paid to shareholders (total value N7,200,000,000) for the year ended 31 December 2013. This is subject to

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

approval at the Annual General Meeting of the group.

33 Approval of financial statements

The board approved these financial statements during its meeting on 11 April 2014

**NON IFRS STATEMENT
STATEMENT OF VALUE ADDED**

	GROUP		COMPANY			
	N'000	%	31/12/2013 N'000	%	31/12/2012 N'000	%
Revenue	103,153,735		102,467,361		106,868,054	
Other income	3,879,582		3,749,656		2,099,284	
	107,033,317		106,217,017		108,967,338	
Less: Bought in materials and services:						
- Imported	(82,1124,143)		(79,500,650)		(86,251,460)	
- Local	(2,326,850)		(2,165,393)		(2,349,268)	
Value Added	22,672,324	100	24,550,974	100	20,366,610	100
Applied as follows						
To pay employees						
Salaries, wages and other benefits	3,584,593	13	2,175,547	11	2,436,998	11
To pay government						
Taxes	5,213,658	24	5,207,161	21	5,343,367	26
growth and payment of dividend						
Deferred taxation	132,109	1	1,354,744	6	191,896	1
Depreciation	2,885,292	12	1,725,252	7	1,658,899	8
Profit for the year	10,845,931	49	13,537,613	55	10,796,416	51
Other comprehensive income/(loss) for the year	10,741	-	10,741	-	(60,966)	(-)
	22,137,719	100	24,550,974	100	20,366,610	100

Value added represents the additional wealth the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, capital providers, government and that retained for future creation of more wealth.

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

DANGOTE SUGAR REFINERY PLC

Consolidated and separate financial statements

For the year ended 31 December 2013

**NON IFRS STATEMENT
FIVE YEAR FINANCIAL SUMMARY**

Company	Dec 2013 IFRS N'000	Dec 2012 IFRS N'000	Dec 2011 IFRS N'000	Dec 2010 NGAAP N'000	Dec 2009 NGAAP N'000
Property, plant and equipment	26,250,037	17,898,310	16,283,504	15,509,562	16,696,409
Intangible assets	256,912	-	-	-	-
Investments	3,214,923	864,647	864,647	972,337	968,125
Other	109,693	7,904	35,745	2,651	-
Net current assets	29,701,930	31,759,739	25,702,743	26,167,048	26,003,782
	58,151,785	50,530,600	42,886,639	42,651,598	43,668,316
Deferred taxation liabilities	(4,359,916)	(3,000,568)	(2,837,360)	(2,976,412)	(1,452,929)
Employment benefits	(1,356,067)	(1,260,873)	(915,570)	(585,533)	(602,590)
	53,817,512	46,269,159	39,133,709	39,089,653	41,612,797
CAPITAL AND RESERVES					
Share capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Share premium	6,320,524	6,320,524	6,320,524	6,320,524	6,320,524
Retained earnings	41,496,988	33,948,635	26,813,185	26,769,129	29,292,273
	53,817,512	46,269,159	39,133,709	39,089,653	41,612,797
REVENUE AND PROFIT					
Revenue	102,467,361	106,888,054	107,218,642	89,980,499	82,395,712
Profit before taxation	20,099,517	16,331,679	10,921,229	16,146,930	19,587,423
Profit after taxation	13,537,612	10,796,416	7,403,597	11,282,240	13,185,599
Per share data- (Kobo)					
Earnings per share (Kobo) -					
Basic	113	90	62	94	110
Earnings per share (Kobo) -					
Annualised	113	90	62	94	110
Net assets per share	448	386	326	326	347

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