

**CEMENT COMPANY OF NORTHERN NIGERIA PLC**  
(RC: 3111)



**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER, 2015**

**GBENGA BADEJO & CO.**  
(CHARTERED ACCOUNTANTS)

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

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## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### FINANCIAL HIGHLIGHT FOR THE YEAR ENDED

	31 Dec., 2015	31 Dec., 2014	% Increase/ (Decrease)
	₦	₦	
<b>MAJOR BALANCE SHEET ITEMS:</b>			
Total Assets	17,146,883,159	15,780,012,159	9
Non-Current Assets	10,122,537,752	8,374,056,611	21
Total Liabilities	7,002,114,913	6,334,353,741	11
Borrowings	1,371,743,396	583,894,490	135
Shareholders' Fund	10,144,768,246	9,445,658,415	7
<b>MAJOR PROFIT OR LOSS ITEMS:</b>			
Turnover	13,037,847,294	15,119,050,874	(14)
Cost of Sales	9,080,237,862	9,988,123,144	(9)
Gross Profit	3,957,609,432	5,130,927,730	(23)
Profit Before Income Tax	1,549,596,856	2,476,771,561	(37)
Profit After Income Tax	1,201,108,049	1,918,361,854	(37)
Dividend Paid*	439,837,218	879,674,439	(50)
<b>RATIO:</b>			
Gross Profit (%)	30	34	(11)
Net Profit (%)	9.21	12.69	(27)
Return on Capital Employed (%)	12	20	(42)
Current Ratio	1.67	2.12	(21)
Gearing	28	22	27
<b>PER SHARE DATA:</b>			
Earnings Per 50k Share – Basic & Diluted	96	153	(37)
Net Assets Per 50k Share	807	752	7
Dividend Per 50k Share	10	35	70

*\* The Directors proposed a dividend of 10 kobo per ordinary share of 50 kobo each subject to approval of the shareholders at the Annual General Meeting for the year ended 31 December, 2015.*

**Return on capital employed (ROCE) ratio** measures a company's profitability and the efficiency with which its capital is employed.

**Current ratio** indicates a company's ability to pay its current liabilities from its current assets.

**Gearing ratio** measures the proportion of a company's borrowed funds to its equity.

**Earnings per share, net assets per share and dividend per share** are based on profit after taxation, net assets and dividend proposed respectively and the number of issued and fully paid ordinary shares at the end of each financial year.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## CORPORATE INFORMATION

### BOARD OF DIRECTORS:

Alhaji Abdulsamad Rabiu, CON	Chairman
Mr. Alf Karlsen	Managing Director/CE (Retired w.e.f. December 2015)
Mr. Ibrahim Aminu	Executive Director-Finance
Mr. Chimaobi K. Madukwe	Director
Dr. Faruk Umar	Director
Hajia Aishatu Umaru Gwandu, mni	Director
Alhaji Kabiru Rabiu	Director
Engr. Muhammad Umar Zauro	Director
Mr. Finn Arnoldsen	Director
Alh. Garba M. Sarkin Kudu	Director (Resigned w.e.f. February, 2015)
Abubakar Magaji Esq.	Independent Director (Appointed w.e.f. May, 2015)

### PRINCIPAL OFFICERS:

Mr. Alf Karlsen	Managing Director/CE
Mr. Ibrahim Aminu	Executive Director, Finance
Mr. Ahmed Abubakar Idris	Director, Technical
Mr. Muhammed B. Yauri	Ag. Asst. Director, Sales & Marketing
Mr. Abubakar B. Sokoto	Asst. Director, Human Resources
Mr. Almustapha Mohammed	Asst. Director, Procurement & Inventory
Mr. Alexander O. Ijiga	Asst. Director, Maintenance
Mr. Ahmed Aliyu	Asst. Director, Company Secretary
Mr. Usman S. Mohammed	Asst. Director, Internal Audit

### REGISTERED OFFICE/ OPERATIONAL OFFICE ADDRESS:

KM 10 Kalambaina Road,  
P. M. B. 02166, Sokoto.  
GSM: 0808-718-9154 (+234)  
Email- [ccnn.sokoto@sokotocement.com](mailto:ccnn.sokoto@sokotocement.com)  
Website: [www.sokotocement.com](http://www.sokotocement.com)

### COMPANY SECRETARY:

Ahmed Aliyu Esq.,  
KM 10 Kalambaina Road, P. M. B. 02166, Sokoto.  
GSM: 0802-501-1298 (+234)  
Email- [ahmed.aliyu@sokotocement.com](mailto:ahmed.aliyu@sokotocement.com)

### BANKERS:

Skye Bank Plc (formerly Mainstreet Bank Ltd)  
Guaranty Trust Bank Plc  
Zenith Bank Plc  
First Bank of Nigeria Plc  
Union Bank of Nigeria Plc  
Diamond Bank Plc

### AUDITORS:

Gbenga Badejo & Co.  
(Chartered Accountants),  
24, Ladipo Oluwole Street,  
Off Adeniyi Jones Avenue, Ikeja, Lagos.  
01-8820276, 0809-622-7865.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## CORPORATE INFORMATION (CONTD.)

### ADVISERS:

#### **Philcrow Consult**

#### **Tax & Management Consultants.**

17, Ibadan Street (East),  
P.O.Box 938 Ebute Metta,  
Lagos.

#### **Adeosun Peter BSc,MBA, FCTI,FCA**

#### **Managing Partner**

FRC/2013/ICAN/00000002696

#### **HR Nigeria Limited.**

#### **Consultants and Actuaries.**

7<sup>th</sup> Floor , Aiico Plaza,  
Afribank Street, P.O.Box 75399,  
Victoria Island,  
Lagos.

#### **O.O. Okpaise**

#### **Managing Consultants**

Associate, Society of Actuaries, America.  
Fellow, Institute of Actuaries, England  
FRC/NAS/00000000738

#### **Y. C. Maikyau & Co.**

#### **Solicitors**

No. 9 Abdullahi Fodio Road, Sokoto  
GSM: 0803-311-4171

#### **Africa Prudential Registrars Plc.**

#### **Registrars**

220B Ikorodu Road,  
Palmgrove, Lagos.  
01-4612376, 01-8752604 (+234)

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2015

The Directors are pleased to present their annual report together with the Financial Statements of the company for the year ended 31<sup>st</sup> December, 2015.

### (1) PRINCIPAL ACTIVITIES

The principal activities of the Company are Manufacturing and Sales of Cement to the general public.

### (2) LEGAL FORM

The Company was incorporated as a Limited Liability Company on the 15<sup>th</sup> August 1962 and commenced business in 1967. The Company was listed on the Nigerian Stock Exchange on the 4<sup>th</sup> October, 1993.

Damnaz Cement Company Limited is a wholly-owned subsidiary of BUA International Limited through which BUA International Limited's investment of 50.72% in Cement Company of Northern Nigeria Plc is held.

### (3) RESULT FOR THE PERIOD

	<b>31 December, 2015</b>
	<b>₦</b>
Turnover	<b><u>13,037,847,294</u></b>
Profit Before Income Taxes	1,549,596,856
Income Taxes	<u>(348,488,807)</u>
Profit After Income Taxes	<b><u>1,201,108,049</u></b>

### (4) DIRECTORS AND DIRECTORS' INTEREST

The names of the Directors are detailed on page 3. The interests of the Directors in the Issued Share Capital of the company are listed below in accordance with the requirement of Companies and Allied Matters Act, CAP C20, LFN 2004:

	<b>No of shares held (Units)</b>		
	<b>As at 31/12/2015</b>		
	<b>Direct</b>	<b>Indirect</b>	<b>Representing</b>
Alhaji Dr. Abdulsamad Rabiu, <b>CON</b>	Nil	661,994,386	Damnaz Cement Co. Ltd & BUA International Ltd
Mr. Alf Karlsen	Nil	Nil	N/A
Mr. Ibrahim Aminu	Nil	Nil	N/A
Mr. Chimaobi K Madukwe	Nil	Nil	N/A
Dr. Faruk Umar	42,328	Nil	N/A
Hajia Aishatu Umaru Gwandu, <b>mni</b>	38,000	61,380,000	Kebbi Invest. & Property Co. Ltd
Alhaji Kabiru Rabiu	925,000	Nil	N/A
Alhaji Garba Mohammed Sarkin Kudu	Nil	15,829,999	Sokoto State Government
Engr. Muhammad Umar Zauro	45,100	144,314,750	Nasdal BAP Nig. Ltd
Mr. Finn Arnoldsen	Nil	Nil	N/A
Mr. Abubakar Magaji Esq.	46,998	Nil	N/A

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2015

### (5) APPOINTMENT / RESIGNATION OF DIRECTORS

During the period, Abubakar Magaji Esq was appointed on 14th May, 2015 as an Independent Director. Alhaji Garba Mohammed Sarkin Kudu (representing Sokoto State Government) resigned from the Board on 11<sup>th</sup> February, 2015. Also, Mr. Alf Karlsen, the Managing Director/CEO has retired from the company on 31 December, 2015. Mr. Ibrahim Aminu (Executive Director – Finance) was appointed by the Board as the Acting Managing Director/CEO from 1<sup>st</sup> January, 2016.

### (6) STATISTICAL ANALYSIS OF THE SHAREHOLDING AS AT 31<sup>ST</sup> DECEMBER 2015

Range of Shareholding	No. of Holders	Holders %	Holders Cumulative	Units	Units %	Units Cumulative
1 - 1,000	20,643	58.80%	20,643	8,204,249	0.65%	8,204,249
1,001 - 5,000	10,117	28.82%	30,760	22,353,755	1.78%	30,558,004
5,001 - 10,000	1,820	5.18%	32,580	13,430,424	1.07%	43,988,428
10,001 - 50,000	1,106	3.15%	33,686	16,021,702	1.27%	60,010,130
50,001 - 100,000	1,113	3.17%	34,799	48,356,300	3.85%	108,366,430
100,001 - 500,000	241	0.69%	35,040	50,509,551	4.02%	158,875,981
500,001 - 1,000,000	25	0.07%	35,065	18,323,138	1.46%	177,199,119
1,000,001 - 999,999,999,999	42	0.12%	35,107	1,079,478,647	85.90%	1,256,677,766
<b>GRAND TOTAL</b>	<b>35,107</b>	<b>100.00%</b>		<b>1,256,677,766</b>	<b>100.00%</b>	

According to the register of members as at 31<sup>st</sup> December 2015, no individual shareholder held more than 5% of the issued share capital of the Company except the following:

SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
Damnaz Cement Co. Ltd	637,403,152	50.72
Nasdal Bap Nig. Ltd	144,314,750	11.48
Kebbi State Investment Co. Ltd	61,380,000	4.88

### SHAREHOLDING PER CATEGORY

S/No.	Category	No. of Holders	Units
1.	Corporate	774	895,494,190
2.	Government	25	89,175,146
3.	Individual	34,284	199,786,566
4.	Institution	6	561,245
5.	Tax Free	18	71,660,619
		<b><u>35,107</u></b>	<b><u>1,256,677,766</u></b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2015.

### (7) DIVIDEND

The Board recommends for the approval of shareholders a payment of 10 kobo dividend per ordinary share of (50 kobo each), out of the profits declared in the financial year ended 31st December, 2015 and which will be subject to withholding tax at the appropriate rate.

### (8) EMPLOYMENT & EMPLOYEES

#### (a) Employment of disabled persons:

The company has an employment policy which does not discriminate against the disabled.

#### (b) Health, Safety and Welfare

The company is fully committed to employees' well-being and would continue to seek better ways of guaranteeing their well-being.

#### (c) Employees Involvement and Training:

The company attaches great importance to staff training and encourages employees to pursue self-development that will impact positively on the company's service delivery. The company is committed to keeping employees as fully informed as possible regarding its focus, performance and progress.

### (9) GIFTS AND DONATIONS

No donation was made to any political organisation during the year. Charitable Gifts totaling **₦49,136,888** were given out in accordance with the Company's policy on social development and improvement of the community, the environment and hygienic conditions of the less privileged. Full details of gifts and donations are listed on page 66.

### (10) ACQUISITION OF OWN SHARES

The Company did not purchase any of its own shares during the year.

### (11) EVENTS AFTER REPORTING PERIOD

There are no events after the reporting period that have not been included in the financial statement.

### (12) WHISTLE BLOWING POLICY

The Company is committed to fair and ethical business practices with transparency and integrity. Hence CCNN has a clear whistle blowing policy that ensures all employees including prospective applicants, contractors, agents, partners, bankers, other service providers, suppliers, shareholders, host community and the general public are given a channel through which they can report all matters they suspect of involving anything illegal, unethical, harmful and or improper. All matters reported are accepted and treated with confidentiality to the identity of the whistle blower.



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2015.

### (13) COMPLAINTS MANAGEMENT POLICY

CCNN is committed to providing high standards of services for shareholders, including a platform for efficient handling of shareholder complaints and enquiries, enabling shareholders to have shareholder related matters acknowledged and addressed, providing sufficient resources to ensure that shareholders' complaints and enquiries are dealt with adequately, and in an efficient and timely manner and facilitating efficient and easy access to shareholder information.

The Company has therefore formulated a Complaint Management Policy designed to ensure that complaints and enquiries from the Company's shareholders are managed in a fair, impartial, efficient and timely manner.

Further, this policy has been prepared in recognition of the importance of effective engagement in promoting shareholder / investor confidence in the company.

This Policy sets out the broad framework by which Cement Company of Northern Nigeria Plc ("CCNN" or "the Company") and its Registrar will provide assistance regarding shareholder issues and concerns. It also provides the opportunity for CCNN's shareholders to provide feedback to the Company on matters that affect shareholders.

This Policy only relates to the Company's shareholders and does not extend to its customers, suppliers or other stakeholders.

The policy was approved by the Board on August 13, 2015 and is available on the Company's website [www.sokotocement.com](http://www.sokotocement.com) for access by all shareholders.

### (14) INSIDER INFORMATION POLICY

The Company has a policy on Insider Information and Prohibition of Insider dealings as required by rules and regulations and this policy has been made publicly available to all stakeholders.

CCNN's Insider Information Policy is to generally ensure that board members, employees and its external stakeholders who have knowledge of confidential and potentially price sensitive information are aware of the prohibition imposed by law against using, disclosing (other than in the normal course of the performance of their duties) or encouraging transactions in securities on the basis of such inside information. In addition to obligations imposed by law, CCNN wants board members, employees and external stakeholders to respect the safeguarding of confidential information and potentially price sensitive information.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2015.

#### (15) GOING CONCERN STATUS

The Directors have made assessment of the Company's ability to continue a going concern and have no reason to believe that the company will not remain a going concern in the years ahead.

Resulting from the above, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Thus, directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

#### (16) APPROVAL OF ACCOUNTS

These financial statements for the year ended 31 December 2015 have been approved for issue by the Directors on **16<sup>th</sup> March, 2016**.

#### (17) AUDITORS

Messrs Gbenga Badejo & Co. (Chartered Accountants) have indicated their willingness to continue in office as Auditors of the Company in accordance with the provisions of section 357 (2) of the Companies and Allied Matters Act, CAP C20, LFN 2004. A resolution will be proposed authorizing the Directors to fix their remuneration.

**BY ORDER OF THE BOARD**



**Ahmed Aliyu Esq.**  
**Company Secretary/Legal Adviser**

**FRC No.: FRC/2013/NBA/00000002396**  
Cement Company of Northern Nigeria Plc  
Sokoto, Nigeria

Dated this: **16<sup>th</sup> March, 2016**

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### CORPORATE GOVERNANCE

The Company recognises and believes in the importance of commitment to the high standards of corporate governance. Hence, its compliance with the Code of Corporate Governance for public companies in Nigeria. The Company also strives to observe the highest standards of transparency and accountability in its dealings with all stakeholders in order to ensure the sustenance and profitable management that will result in delivering value to its shareholders. The Board is responsible and accountable for the Company's activities including management, risk, strategy and financial performance.

One independent non-executive Director was appointed during the year in compliance with the Code of Corporate Governance in order to strengthen the Board in the discharge of its duties.

### THE BOARD AND THE BOARD COMMITTEES

The Board comprises of ten members, eight of whom are non-Executive. One of the non-Executive Directors chairs the Board. The Board Chairman is not in any of the committees. There are more non-executives on the committees than executive directors.

The statutory Audit Committee is chaired by an independent shareholder.

The Company maintains a commitment to relentlessly seeking absolute transparency and disclosure to its shareholders and other stakeholders in all its dealings in line with the high standards of corporate governance including effectively monitoring the Management.

To this end, both the Board and the Management have individually signed a Code of Business Conduct and Ethics. In addition, each Director is required to declare his/her interest in dealings with the Company at every meeting.

The Board consists of persons of mixed skills with experience in different fields of human endeavour and meets at least once quarterly or when the need arises to review performance and set targets.

Board meetings attendance:

S/NO.	Directors	Date Meeting Held and Attendance				
		17/03/2015	14/05/2015	13/08/2015	11/11/2015	14/12/2015
1	Abdulsamad Rabi, CON	P	P	P	P	P
2	Alf Karlsen	P	P	P	P	P
3	Ibrahim Aminu	P	P	P	P	P
4	Chimaobi K. Madukwe	P	P	P	P	P
5	Kabiru I. Rabi	P	P	P	P	A
6	Faruk Umar	P	P	P	P	P
7	Aishatu U. Gwandu, mni	P	P	P	P	P
8	Muhammed U. Zauro	P	P	P	P	P
9	Finn Arnoldsen	P	P	P	P	P
10	Abubakar Magaji Esq	Appointed on 14th May, 2015		P	P	P

**N.B.** P = Present A = Apology

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES (CONTD.)

The Board also discharges its responsibilities through the following Committees:

a) Finance and General Purpose Committee

The Committee vets the budget, Audited and Management Accounts and makes necessary recommendations to the Board. It also vets contracts for capital projects beyond the approval limits of the Management.

Below is the list of members of the Committee and the number of meetings held during the year.

S/NO.	Directors	Date Meeting Held and Attendance				
		17/03/2015	12/05/2015	12/08/2015	11/11/2014	14/12/2015
1	Chimaobi K. Madukwe	P	P	P	A	P
2	Alf Karlsen	P	P	P	P	P
3	Ibrahim Aminu	P	P	P	P	P
4	Dr. Faruk Umar	P	P	P	P	P
5	Kabiru I. Rabi	P	P	P	P	A
6	Engr. Muhammad U. Zauro	P	P	P	P	P
7	Abubakar Magaji Esq	Appointed on 12th August, 2015			P	P

N.B. P = Present A = Apology

b) Governance, Establishment and Remuneration Committee

The Committee oversees the nomination and appointment of Board members, Board performance evaluation process and succession plan for the Board and Board remuneration process.

It also considers staff matters in general and appointments and discipline of Top Management Staff.

Below is the list of members of the Committee and the number of meetings held during the year.

S/NO.	Directors	Date Meeting Held and Attendance				
		17/03/2015	12/05/2015	12/8/2014	11/11/2015	14/12/2015
1	Dr. Faruk Umar	P	P	P	P	P
2	Chimaobi K. Madukwe	P	P	P	P	P
3	Aishatu U. Gwandu, mni	P	P	P	P	P
4	Finn Arnoldsen	P	P	P	P	P
5	Abubakar Magaji Esq.	Appointed on 12th August, 2015			P	P

N.B. P = Present A = Apology

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### CORPORATE GOVERNANCE (CONTD.)

#### c) Strategy, Risk and Innovation Committee

The Committee is to determine the medium and long term strategies for the Company principal risks and ensure that they are adequately assessed and effectively managed, evaluate the adequacy of the Company's internal control policy and ensure that policies and strategies for managing risks are in place.

Below is the list of members of the Committee and the number of meetings held during the year.

S/NO.	Directors	Date Meeting Held and Attendance		
		17/05/2015	12/08/2015	11/11/2015
1	Kabiru I. Rabi	P	P	P
2	Alf Karlsen	P	P	P
3	Ibrahim Aminu	P	P	P
4	Muhammad U. Zauro	P	P	P
5	Aishatu U. Gwandu, mni	P	P	P
6	Finn Arnoldsen	P	P	P

N.B. P = Present A = Apology

#### d) Audit Committee

The Committee was established in compliance with S.359 (6) of the Companies and Allied Matters Act and has the oversight responsibility for the Company's Accounts. It reports its findings to the Board and the Annual General Meeting.

The Committee comprises of three shareholders, one of whom chairs it and three non - Executive Directors and meet quarterly or whenever the need arises.

Below is the list of members and the number of meetings held during the year.

S/NO.	Directors	Date Meeting Held and Attendance			
		17/03/2015	12/08/2015	11/11/15	14/12/2015
1	Ajibola A. Ajayi	P	P	P	P
2	Kabiru A. Tambari	P	P	P	P
3	Aishatu U. Gwandu, mni	P	P	P	P
4	Dr. Faruk Umar	P	P	P	P
5	Kabiru I. Rabi	P	P	P	A
6	Oderinde Taiwo	P	P	P	P

N.B. P = Present A = Apology

Ahmed Aliyu Esq.

Company Secretary/Legal Adviser

FRC No.: FRC/2013/NBA/00000002396

Date: 16<sup>th</sup> March, 2016

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER, 2015.

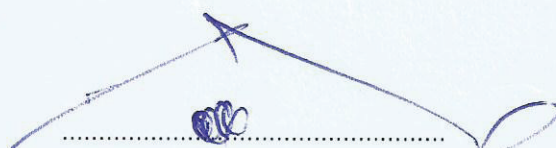
The Companies and Allied Matters Act, CAP C20 LFN, 2004 (section 334 and 335) requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

- (a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004;
- (b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

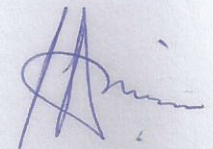
The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standard as issued by the International Accounting Standards Board, and the requirements of the Financial Reporting Council of Nigeria Act, No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN, 2004.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.


Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.



.....  
**Alhaji Abdulsamad Rabiu, CON**  
Chairman  
FRC/2014/IODN/00000010111  
Date: 16<sup>th</sup> March, 2016



.....  
**Mr. Ibrahim Aminu**  
Ag. Managing Director/CEO  
FRC/2013/ICAN/00000001247  
Date: 16<sup>th</sup> March, 2016



.....  
**Mr. Haruna Hashim**  
Ag. Chief Financial Officer  
FRC/2013/ICAN/00000003271  
Date: 16<sup>th</sup> March, 2016

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF CEMENT COMPANY OF NORTHERN NIGERIA PLC

In compliance with the Provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN, 2004, we report as follows:

- We have ascertained and hereby confirm that the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- The scope and planning of audit requirements for the year ended 31 December, 2015 are adequate;
- We are satisfied with the External Auditors' Management Report for the year ended 31 December, 2015, as well as the response of the Management thereto.



**Mr. Ajibola Ajayi FCA, CFA**  
Chairman Audit Committee  
FRC/2015/ICAN/00000011387

Dated this day: **16<sup>th</sup> March, 2016**

#### AUDIT COMMITTEE MEMBERS:

Mr. Ajibola Ajayi FCA, CFA	-	Chairman - Independent shareholder
Mr. Oderinde Taiwo	-	Independent shareholder
Mr. Kabiru A. Tambari	-	Independent shareholder
Alhaji Kabiru I. Rabi	-	Director
Hajia Aishatu Umaru Gwandu mni	-	Director
Dr. Faruk Umar	-	Director

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CEMENT COMPANY OF NORTHERN NIGERIA PLC**

We have audited the accompanying Financial Statements of Cement Company of Northern Nigeria Plc, which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and Other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### **RESPONSIBILITIES OF THE DIRECTORS**

The Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board, Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **RESPONSIBILITIES OF THE AUDITORS**

Our responsibility is to express an independent opinion on these Statements based on our audit. **We conducted our audit in accordance with International Standards on Auditing (ISAs)** issued by International Auditing and Assurance Standards Board (IAASB) & **Nigerian Standards on Auditing (NSAs)** issued by the Institute of Chartered Accountants of Nigeria (ICAN). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinion.



## **CEMENT COMPANY OF NORTHERN NIGERIA PLC**

### **REPORT OF THE INDEPENDENT AUDITORS (CONTD.) TO THE MEMBERS OF CEMENT COMPANY OF NORTHERN NIGERIA PLC**

#### **OPINION:**

In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of the Company as at 31st December, 2015 and of the financial performance and the cash flows for the year then ended, in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board, Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirement of the Companies and Allied Matters Act, CAP C20 LFN, 2004.

#### **REPORT ON OTHER LEGAL REQUIREMENTS**

In accordance with the sixth schedule of Companies and Allied Matters Act CAP C20 LFN 2004, we confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account have been kept by the Company; and
- iii) The Company's statements of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity are in agreement with the books of account.



**OLUWAYOMI BAMIDELE ADESUYI, FCA**  
ENGAGEMENT PARTNER  
FRC/2014/ICAN/00000007990  
FOR: GBENGA BADEJO & CO.  
(CHARTERED ACCOUNTANTS),  
24, LADIPO OLUWOLE STREET,  
OFF ADENIKI IQNES AVENUE,  
IKEJA, LAGOS.

**DATE: 21<sup>st</sup> March, 2016**

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER,

	Notes	2015 ₦	2014 ₦
Revenue	28	13,037,847,294	15,119,050,874
Cost of Sales	26	<u>(9,080,237,862)</u>	<u>(9,988,123,144)</u>
<b>Gross Profit</b>		<b>3,957,609,432</b>	<b>5,130,927,730</b>
Other Income	23	67,706,205	20,610,464
Selling and Distribution Costs	25	(113,901,048)	(135,721,529)
Administrative Expenses	27	<u>(2,022,190,119)</u>	<u>(2,266,338,231)</u>
Operating Profit		1,889,224,470	2,749,478,434
Finance Income	24	122,863,057	71,170,747
Finance Costs	24	<u>(462,490,671)</u>	<u>(343,877,620)</u>
<b>Profit Before Income Taxes</b>		<b>1,549,596,856</b>	<b>2,476,771,561</b>
Income Taxes	21	<u>(348,488,807)</u>	<u>(558,409,707)</u>
<b>Profit After Income Taxes</b>		<b>1,201,108,049</b>	<b>1,918,361,854</b>
<b>Other Comprehensive Income:</b>			
<i>Items that will not be reclassified to Profit or Loss</i>			
Gain/(Loss) on Remeasurement of defined benefit plan	17	(62,161,000)	122,352,000
<b>Total Other Comprehensive Income</b>		<b><u>(62,161,000)</u></b>	<b><u>122,352,000</u></b>
<b>Total Comprehensive Income</b>		<b><u>1,138,947,049</u></b>	<b><u>2,040,713,854</u></b>
<b>Basic Earnings Per Share (Kobo)</b>	16	<b><u>96</u></b>	<b><u>153</u></b>
<b>Diluted Earnings Per Share (Kobo)</b>	16	<b><u>96</u></b>	<b><u>153</u></b>


The accompanying notes form an integral part of these financial statements.


## CEMENT COMPANY OF NORTHERN NIGERIA PLC

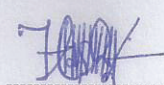
### STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER,

		2015	2014
ASSETS	Notes	N	N
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipments	6	10,118,987,353	8,368,950,068
Intangible Assets	5	3,550,399	5,106,540
<b>Total Non-Current Assets</b>		<u>10,122,537,752</u>	<u>8,374,056,608</u>
<b>CURRENT ASSETS</b>			
Inventories	7	5,497,405,387	5,078,869,776
Trade and Other Receivables	8	508,237,021	1,427,754,759
Cash and Cash Equivalents	9	1,018,702,999	896,031,013
		<u>7,024,345,407</u>	<u>7,402,655,548</u>
Assets Classified as Held for Sale	10	-	3,300,000
<b>Total Current Assets</b>		<u>7,024,345,407</u>	<u>7,405,955,548</u>
<b>TOTAL ASSETS</b>		<u>17,146,883,159</u>	<u>15,780,012,156</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share Capital	11	628,338,885	628,338,885
Other Reserves	12	3,634,539,136	3,634,539,136
Retained Earnings		5,881,890,225	5,182,780,394
<b>Total Equity</b>		<u>10,144,768,246</u>	<u>9,445,658,415</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred Income Tax Liabilities	22	862,452,260	750,127,682
Borrowings	14	1,079,811,646	640,396,800
Deferred Revenue	15	62,052,824	-
Employee Benefit Liability	17	783,721,000	1,447,674,000
<b>Total Non-Current Liabilities</b>		<u>2,788,037,730</u>	<u>2,838,198,482</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	18	3,587,054,460	2,331,742,687
Current Income Tax Liability	21	236,164,229	521,364,197
Borrowings	14	291,931,750	583,894,490
Deferred Revenue	15	30,172,859	-
Provision	19	68,753,885	59,153,885
<b>Total Current Liabilities</b>		<u>4,214,077,183</u>	<u>3,496,155,259</u>
<b>Total Liabilities</b>		<u>7,002,114,913</u>	<u>6,334,353,741</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>17,146,883,159</u>	<u>15,780,012,156</u>

Approved by the Board of Directors on 16th March 2016 and were signed on its behalf by:

  
Alhaji Abdulsamad Rabiu, CON  
Chairman  
FRC/2014/IODN/00000010111

  
Mr. Ibrahim Aminu  
Acting Managing Director/CEO  
FRC/2013/ICAN/00000001247

  
Mr. Haruna Hashim  
Acting Chief Financial Officer  
FRC/2013/ICAN/00000003271

The accompanying notes form an integral part of these financial statements.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2015

	SHARE CAPITAL ₦	OTHER RESERVES ₦	RETAINED EARNINGS ₦	TOTAL EQUITY ₦
<b>Balance at 1 January 2014</b>	<b>628,338,885</b>	<b>3,634,539,136</b>	<b>4,021,740,979</b>	<b>8,284,619,000</b>
Profit for the period	-	-	1,918,361,854	1,918,361,854
Other comprehensive income for the period	-	-	122,352,000	122,352,000
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>2,040,713,854</b>	<b>2,040,713,854</b>
<b>Transactions with owners</b>				
Dividend Paid (Note 13)	-	-	(879,674,439)	(879,674,439)
<b>Balance at 31 December 2014</b>	<b>628,338,885</b>	<b>3,634,539,136</b>	<b>5,182,780,394</b>	<b>9,445,658,415</b>
<b>Balance at 1 January 2015</b>	<b>628,338,885</b>	<b>3,634,539,136</b>	<b>5,182,780,394</b>	<b>9,445,658,415</b>
Profit for the period	-	-	1,201,108,049	1,201,108,049
Other comprehensive income for the period	-	-	(62,161,000)	(62,161,000)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>1,138,947,049</b>	<b>1,138,947,049</b>
<b>Transactions with owners</b>				
Dividend Paid (Note 13)	-	-	(439,837,218)	(439,837,218)
<b>Balance at 31 December 2015</b>	<b>628,338,885</b>	<b>3,634,539,136</b>	<b>5,881,890,225</b>	<b>10,144,768,246</b>

The accompanying notes form an integral part of these financial statements

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31ST DECEMBER,

	2015	2014
	₦	₦
<b>Cash Flows From Operating Activities</b>		
Profit before income taxes	1,549,596,856	2,476,771,561
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>		
Depreciation and impairment of property, plant and equipment	516,109,198	510,212,969
Amortisation and impairment of intangible assets	2,776,735	667,380
Loss/(Profit) on disposal of Property, plant & equipment	(3,646,131)	1,241,926
Impairment Loss (Trade & Other Receivables)	32,154,545	167,975,793
Reversal of Unused impairment loss	(58,724,814)	-
Amount written off during the year as uncollectible	(30,552,475)	-
<b>Operating profit before working capital changes</b>	<b>2,007,713,914</b>	<b>3,156,869,629</b>
<b>Working Capital Adjustments:</b>		
(Increase)/Decrease in trade and other receivables and prepayments	976,640,482	(813,544,556)
Increase in inventories	(418,535,611)	961,748,546
Increase/(Decrease) in trade and other payables	1,255,311,773	(554,738,864)
Increase/(Decrease) in Provisions	9,600,000	9,600,000
Increase/(Decrease) in End of Service Benefit	(726,114,000)	(388,804,999)
<b>Cash generated from operations</b>	<b>3,104,616,558</b>	<b>2,371,129,756</b>
Tax paid	(521,364,197)	(507,135,581)
<b>Net cash flow from operating activities</b>	<b>2,583,252,361</b>	<b>1,863,994,175</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(2,262,846,514)	(1,801,437,001)
Intangible assets	(1,220,594)	-
Proceeds from disposal(Non-current assets & scrap)	3,646,162	14,927,223
<b>Net cash flows used in investing activities</b>	<b>(2,260,420,946)</b>	<b>(1,786,509,778)</b>
<b>Financing Activities</b>		
Dividend paid to equity holders	(439,837,218)	(879,674,439)
Loan Received	788,755,000	800,496,000
Repayment of borrowings	(125,281,921)	(179,001,316)
<b>Net cash flows used in financing activities</b>	<b>223,635,861</b>	<b>(258,179,755)</b>
Net increase in cash and cash equivalents	546,467,276	(180,695,358)
Cash and cash equivalents at 1 January	472,235,723	652,931,081
<b>Cash and cash equivalents at 31 December (Note 9)</b>	<b>1,018,702,999</b>	<b>472,235,723</b>

## **CEMENT COMPANY OF NORTHERN NIGERIA PLC**

### **NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015**

#### **1 General Information**

Cement Company of Northern Nigeria Plc was incorporated as a limited liability company on the 15th August, 1962 and commenced business operation in 1967. The Company was listed on the Nigeria Stock Exchange on the 4th October, 1993. Damnaz Cement Company Limited is a wholly owned subsidiary of BUA International Limited through which BUA International Limited's investment of 50.72% in Cement Company of Northern Nigeria Plc is held.

The Company is incorporated and domiciled in Nigeria. The Registered address of the Company is located at Km 10, Kalambaina Road, Sokoto, Nigeria.

The principal activities of the Company are manufacturing and sales of cement to the general public.

#### **2 Summary of Significant Accounting Policies**

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

##### **2.1.1 Statement of Compliance**

The Company's financial statements for the year ended 31st December, 2015 have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are effective at 31st December, 2015 and requirements of the companies and Allied Matters Act (CAMA) of Nigeria and Financial Reporting Council (FRC) Act of Nigeria.

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes.

##### **2.1.2 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Additional standards may be issued by the International Accounting Standards Board (IASB) and may be subject to interpretations issued by the IFRIC. The financial statements have been prepared under the historical cost convention except for some financial assets and liabilities measured at fair value, amortised cost and net realizable value.

#### **2.2 Going concern**

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention.

#### **2.3 Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured and when risks and rewards have passed to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Company's activities.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.3.1 Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Delivery occurs when a customer's truck has been loaded with the goods specified in the invoice.

Revenue is recognised net of discount and rebates given on volume trade.

##### 2.4 Cost of Goods Sold

These are the cost of internally produced goods sold. The cost of internally produced goods includes directly attributable costs such as the cost of direct materials, direct labour, energy costs, as well as production overheads, including depreciation of production facilities.

The cost of goods sold includes write-downs of inventories where necessary.

##### 2.5 Selling and Distribution Expenses

Comprises the cost of marketing, the sales organization, and distribution logistics. The item also includes write-downs of trade receivables.

##### 2.6 Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Cement Company of Northern Nigeria Plc has various operating lease arrangements on which payments including prepayments made (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

##### 2.7 Foreign Currency

###### 2.7.1 Functional and Presentation Currency

The Financial Statements are presented in the Nigeria Naira (₦), which is the Company's functional currency.

###### 2.7.2 Foreign Currency Transactions

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation. However, the company does not have hedge as part of its financial instruments.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

##### 2.8 Financial Instruments

Financial instruments represent the company's financial assets and liabilities. Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

These instruments are typically held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the company commits to purchase (sell) the instruments (trade date accounting).

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.8.1 Financial Assets

Financial assets include trade and other receivables, cash and bank balances and certain other assets. Financial liabilities include term loans, bank overdraft, trade and certain other liabilities.

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity, available for sale or fair value through profit or loss.

##### **Subsequent Measurement**

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications below. The company's accounting policy for each category is as follows:

##### **Trade & Other Receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

##### **Cash & Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows, bank overdrafts is included as part of Cash and Cash Equivalents. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

##### **Impairment of Financial Assets carried at Amortised Cost**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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.

Criteria that are used by the company in determining whether there is objective evidence of impairment include:

- i. known cash flow difficulties experienced by the customer;
- ii. a breach of contract, such as default or delinquency in repayment for goods and service;
- iii. breaches of credit terms or conditions and;
- iv. It is becoming probable that the customer will enter bankruptcy or other financial reorganization.



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.8.1 Financial Assets

##### **Impairment of Financial Assets carried at Amortised Cost (Continued)**

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

#### 2.8.2 Financial Liabilities

These include the following items:

##### **Bank Borrowings**

Bank borrowings are initially recognised at fair value excluding any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs, as well as any interest payable while the liability is outstanding.

##### **Trade payables and other short-term monetary liabilities**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

##### **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced either by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, or the comparison with other observable current market transactions in the same instrument, indicate that the fair value differs from the transaction price, the initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. The company does not have any financial instruments (derivatives etc) that warrant valuation method.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.8.2 Financial Liabilities

##### Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the company has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in profit or loss.

#### 2.9 Employee Benefits

The company operates two benefits scheme for its employees:

##### 2.9.1 Defined contribution pension schemes

The company operates a defined pension contribution plans in accordance with the Pension Reform Act of 2004, which is based on a percentage of pensionable earnings funded by both employer companies (11.5%) and employees (8%). The funds are generally administered by Pension Fund Administrators. Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

##### 2.9.2 Defined benefit schemes

Employees' end of service gratuities are regarded as post employment benefits.

The estimates of the terminal benefit obligations are calculated periodically, with the assistance of independent actuaries, using the projected unit credit method. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life expectancy and probable turnover of beneficiaries. The obligations are discounted based upon appropriate discount rates.

The assets held by external entities to fund future benefits payments are valued at fair value at the reporting date. The current period expense comprises the increase in the obligation, which results from the additional benefits earned by the employees in the period, and the interest expense, which results from the outstanding pension obligation. The current period expenses related to the defined benefit plan are recorded in cost of sales, selling and distribution and administrative expenses based on the beneficiaries and the plan. Actuarial gains or losses are charged or credited to other comprehensive income in the period which they arise.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.10 Intangible Assets

Computer Software - acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with maintaining computer software programmes are recognized as expenses incurred.

Computer software costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

#### 2.11 Income Tax Liability

Income Tax Liability include Current tax which represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. It also include Education tax chargeable on assessable profit at 2%.

#### 2.12 Deferred Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### 2.13 Dividends

Dividends are recognized when they become legally payable. Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividend is approved by the company's shareholders at the AGM or paid.

#### 2.14 Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase cost and directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. However, the company does not have such dismantling cost provisioning.

The Company reviews its property, plant and equipment to assess if there is an indication of impairment. In determining whether impairment losses should be recorded in the statement of comprehensive income, the company makes judgment as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment.

Accordingly, provision for impairment is made when there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.14 Property, Plant and Equipment (Continued)

##### Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value (except for freehold land and properties under construction). Depreciation is recognized within "Cost of sales" and "Administrative and selling expenses," depending on the utilization of the respective assets on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated except Quarry land which is depreciated on a straight line basis over the estimated period of use.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful lives.

It is provided at the following rates:

	Years of useful lives
Land	Not depreciated
Quarry	25 Years
Building	40 Years
Plant & Machinery	3 - 40 Years
Furniture & Fittings	5 Years
Office Equipment	3 - 5 Years
Motor Vehicle	4 Years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is charged to income in the year the asset is derecognized.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of plant are charged to profit or loss on consumption or as incurred respectively.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

##### Capital Work-in-Progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of tangible fixed assets in the course of their erection, installation and acquisition.

This includes cost of construction, plant and equipment and other direct costs plus borrowing costs which includes interest charges used to finance these projects during the construction period to the extent that they are regarded as an adjustment to borrowing costs.

Capital work-in-progress is not depreciated until such time as the assets are completed and ready for operational use which are transferred to the relevant category of property, plant and equipment and depreciated in accordance with the depreciation policy.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.15 Impairment of Non-financial assets

Whenever events or new circumstances indicate that the carrying amount of an asset may not be recoverable, an impairment test is performed. The purpose of this test is to compare the carrying value of the asset with its recoverable amount. The recoverable amount is determined by reference to the smallest Cash Generating Unit (CGU) to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and the value in use, which is the present value of the future cash flows expected to be derived from the use of the asset or its disposal. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in "other operating income and expenses".

When an impairment loss is recognized for a cash-generating unit, the loss is allocated first to reduce the carrying amount of the goodwill allocated to the CGU if any, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. After the impairment loss, the new carrying value of the asset is depreciated prospectively over its remaining life.

Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each year end. The carrying value of the assets, revised due to the increase of the recoverable value of the assets, cannot exceed the carrying amount (net of depreciation) that would have been determined had no impairment been recognized in prior periods. Such reversal is recognized in the statement of profit or loss.

#### 2.16 Non-Current Assets Held For Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification otherwise, it is derecognised and reversed to the class of property, plant and equipment it belongs to.

Property, plant and equipment once classified as held for sale are not depreciated or amortised.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.17 Inventories

Inventories are stated at the lower of cost and net realisable value after providing for any obsolescence and damages determined by the management. Costs are those expenses incurred in bringing each product to its present location and condition which are computed as follows:

###### Raw Materials

Actual costs include transportation, handling charges and other related costs that are incurred to bring the materials to the location and condition. This are valued at First-in First-out method.

###### Work in Progress

Include cost of direct materials, direct labour and other direct cost plus attributable overheads based on normal operating capacity. The cost includes direct cost and appropriate overheads and is determined on the first-in first-out method.

###### Finished Goods

Include cost of material, labour, production and attributable overheads based on normal operating capacity and is determined on the first-in first-out method.

###### Spare parts and Consumables

Spare parts which are expected to be fully utilized in production within the next operating cycle and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

The company's management determines the estimated amount of slow moving inventories. This estimate is based on the age of items in inventories and this provision is subject to change as a result of technical innovations and the usage of items.

##### 2.18 RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include:

- i. Entities over which the company exercises significant influence
- ii. Shareholders and key management personnel of the company.
- iii. Close family members of key management personnel
- iv. Post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the company.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.18 Related Party Disclosures (Continued)

The company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using the current market price or admissible valuation methods.

The company includes Company Secretary, Heads of all department in its definition of key management personnel. Disclosure of their compensation such as short term benefits and emolument are made.

##### 2.19 Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares outstanding at the statement of financial position date.

##### 2.20 Provisions

A Provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions take account of all identifiable future payment obligations, risks, and uncertain obligations of the company resulting from current legal or constructive obligations arising from past events where the amount of the obligation can be measured reliably. The company's provisions relates to its recultivation cost to be incurred for the reclamation of the quarry site to an habitable state. The provision for such site restoration is recorded in Statement of Financial position and charged to cost of sales. This provision is recorded over the operating life of the quarry on the basis of production levels and depletion rates. The estimated future costs for known restoration requirements are determined on a site-by-site basis

##### 2.21 Borrowing Costs

General and specific 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.

##### 2.22 Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

##### 2.23 Government Grants

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

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 received and the fair value of the loan based on prevailing market interest rate. The amount recognised as government grant is recognised in profit or loss over the period the related expenditure is incurred. See Note 14 and 15 for further details.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### **3 New and Revised International Financial Reporting Standards**

The accounting policies adopted are consistent with those of the previous financial period.

#### **3.1 New and Revised Standards and Interpretations Effective During The Period**

In the current year, the company 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 1st January 2015.

##### **Amendments to IAS 19- Defined Benefit Plans**

The amendments clarify the accounting treatment for contributions from employees or third parties to a defined plan. CCNN does not have any contribution from third parties or employees towards the defined scheme.

##### **Amendments to IFRS 2- Share Based Payment**

The amendment captures the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to share based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of vesting condition. The amendment requires prospective application. This amendment does not have any impact on CCNN.

##### **Amendments to IFRS 3- Business Combination**

The amendment requires contingent consideration in a business acquisition that is classified as an asset or a liability to be measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments (or IAS 39 as applicable). The amendment requires prospective application. This amendment does not have any impact on CCNN.

##### **Amendments to IFRS 8- Operating Segment**

The amendment stipulates detailed disclosure of the judgments made by management in applying the aggregation criteria to operating segments. It also requires reconciliations of the assets of all reportable segments' to the assets of the entity if the segments' assets are reported regularly. The amendment is to be applied retrospectively. This amendment does not have any impact on CCNN.

##### **Amendments to IFRS 13- Fair Value Measurement**

An amendment to the standard provides clarification that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment also clarifies that the scope of the portfolio exemption defined in paragraph 52 of IFRS 13 includes all contracts within the scope of IAS 39/IFRS 9 regardless of whether they meet the definition of financial assets and financial liabilities. The exemption is in respect of items that have offsetting positions in market and/or counterparty credit risk. CCNN has fully adopted the amendment and recognize the disclosure in its presentation and disclosure.

##### **Amendments to IAS 16 - Property Plant and Equipment and IAS 38- Intangible Assets**

The amendment clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. The amendment also clarifies that accumulated depreciation/amortization is the difference between the gross and carrying amounts of the asset. CCNN adopt the cost model in its valuation of its Property, Plant and Equipment, hence, the amendment does not have any material impact on the company.

##### **Amendments to IAS 24 - Related Party Disclosures**

The amendment noted that an entity that engages the *services of a management entity* for the provision of key management personnel services is required to disclose the expenses incurred for such services. *CCNN has complied with this amendment – See note 28 for further disclosure.*



## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 3 New and Revised International Financial Reporting Standards (Continued)

##### Amendments to IAS 40 - Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. It states that in determining whether the acquisition of an investment property is a business combination, judgment of the specific requirements of IFRS 3 is required. CCNN does not have any investment property and as such the amendments does not have any impact on the company.

#### 3.2 New and Revised IFRSs that are not mandatorily effective

The Company has not adopted the following new and revised standards that have been issued but are not yet effective:

Title of Standard	Effective Date	Nature of Ammendment
IFRS 9: Financial Instruments	Beginning on after 1st January, 2018	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.
IFRS 14: Regulatory Deferral Account	Beginning on after 1st January, 2016	The objective of IFRS 14 is to specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation
Amendments to IAS 1 (Presentation of Financial Statements) and IAS 7 (Statement of Cash Flows)	Beginning on after 1st January, 2016	The amendment is an improved Disclosure Initiative
Amendments to IAS 16: Property, Plant and Equipments and IAS 41: Agriculture	Beginning on after 1st January, 2016	The ammendment relates to clarification on classification of Bearer Plants from IAS 41 to IAS 16.
IFRS 16: Leases	Beginning on after 1st January, 2019	The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

#### 3.2 New and Revised IFRSs that are not mandatorily effective (Continued)

IFRS 15: Revenue from Contract with Customers	Beginning on after 1st January, 2018	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.
Amendments to IAS 16 (Property, Plant and Equipments) and IAS 38 (Intangible Assets)	Beginning on after 1st January, 2016	The amendment has to do with Clarification on Acceptable Methods of Depreciation and Amortisation.
Amendments to IAS 27 (Separate Financial Statements).	Annual periods beginning on or after 1 January 2016	Amendments, reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Management anticipates that the application of these standards and amendments may result in more disclosures being made (where applicable). Management will review and quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture as at when applicable.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 3.3 Significant Accounting Judgements and Assumptions

The preparation of the financial statements requires management to make judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of assumption, estimation, uncertainties and critical judgments in applying the accounting policies that have the most significant affect on the amount recognised in the financial statements include the following:

#### **Taxes**

Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexity of existing contractual agreement, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The company establishes provisions based on reasonable estimates.

Deferred taxes are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgments is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

### 2 Summary of Significant Accounting Policies (Continued)

#### 3.3 Significant Accounting Judgements and Assumptions

##### **Defined benefits obligation**

The cost of defined benefit plans and the present value of the benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. This includes the determination of the discount rate, future salary increases and mortality rates. All assumptions are reviewed at each reporting date.

##### **Accounts receivable**

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on an individual customer's prior payment record, current economic trends and analysis of historical bad debts of a similar type. See Note 4.1 under the company financial risk management for further explanation.

##### **Property, plant and equipment**

Judgments are utilised in determining the depreciation and amortisation rates and useful lives of these assets at the end of the period.

Property, plant and equipment are depreciated over its useful life. Cement Company of Northern Nigeria Plc estimates the useful lives of plant and machinery based on the period over which the assets are expected to be available for use. The estimation of the useful lives of plant and machinery are based on technical evaluations carried out by those staff with knowledge of the machines and experience with similar assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

##### **Provision For Restoration Costs**

The company exercises significant judgement in estimating provisions for restoration costs. Should these estimates vary, profit or loss and statement of financial position in the following years would be impacted.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 4. Risk Management

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation and the policies through the company's senior management.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite.

The company's financial instruments are exposed to certain financial risk including credit risk, liquidity risk, commodity risk and interest rate risk. The company's exposure to these risks and its methods of managing the risks remain consistent.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

#### 4.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is only exposed to credit risk from credit sales. Fortunately, 98% of its transaction are done on cash and carry basis.

Management assesses the credit risk of new customers before entering into contracts with such customers. Purchase limits are established for each customer based on the credit risk assessment. **Credit sales are restricted to Corporate Construction Companies only.** They provide performance bond and guarantees as collaterals for credit transactions.

Management determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 4. Risk Management (Contd)

The Company's maximum exposure to credit risk is limited to the carrying amount of the trade receivables as shown in Note 8. Further disclosures regarding trade and other receivables including amounts which are neither past due nor impaired and concentrations of credit risk are also provided in Note 8.

#### Business and Strategic Risk Management

The company faces stiff competition from other bigger cement companies within the region. The strong presence of other cement products in our key major distribution areas has been experiencing low supply. However, our product is preferable due to its high quality and general acceptance within the region.

CCNN will continue to introduce several initiatives to ensure that its targets market are effectively reached and its product is acceptable to its teeming customers.

The table below analyses the Company's financial assets into relevant maturity groupings as at the reporting date.

#### 31st December 2015

Financial assets:	Neither past due nor impaired	30 - 180 days	Over 180 days	Total
	₦	₦	₦	₦
Cash and cash equivalents (Note 9)	1,018,702,999	-	-	1,018,702,999
Trade receivables (Note 8)		201,552	8,058,021	8,259,573
Other receivables		472,326,409		472,326,409
	<b>1,018,702,999</b>	<b>472,527,961</b>	<b>8,058,021</b>	<b>1,499,288,981</b>

#### 31st December 2014

Financial assets:	Neither past due nor impaired	30 - 180 days	Over 180 days	Total
	₦	₦	₦	₦
Cash and cash equivalents (Note 9)	896,031,013			896,031,013
Trade receivables (Note 8)	3,379,630	8,806,991	45,698,494	57,885,115
Other receivables		616,251,221		616,251,221
	<b>899,410,643</b>	<b>625,058,212</b>	<b>45,698,494</b>	<b>1,570,167,349</b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 4. RISK MANAGEMENT - CONTD

#### 4.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the company's normal operating requirements on an ongoing basis and its expansionary plans.

The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of not less than 90days.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

As at 31 December, 2015	On Demand	Less Than 3 months	3 to 12 months	Above 1 year	Total
	₦	₦	₦	₦	₦
<b>Financial liabilities:</b>					
Borrowings	-	-	-	1,371,743,396	1,371,743,396
Trade Payables	923,666,523	2,243,343,859	333,596,065	86,448,012	3,587,054,460
Other Payable	-	1,309,834,436	-	-	1,309,834,436
	<b>923,666,523</b>	<b>3,553,178,295</b>	<b>333,596,065</b>	<b>1,458,191,408</b>	<b>6,268,632,292</b>
As at 31 December, 2014	On Demand	Less Than 3 months	3 to 12 months	Above 1 year	Total
	₦	₦	₦	₦	₦
<b>Financial liabilities:</b>					
Borrowings	423,795,290	-	-	800,496,000	1,224,291,290
Trade Payables	600,423,742	1,458,271,876	216,852,070	56,194,999	2,331,742,687
Other Payable	-	905,370,934	-	-	905,370,934
	<b>1,024,219,032</b>	<b>2,363,642,810</b>	<b>216,852,070</b>	<b>856,690,999</b>	<b>4,461,404,911</b>

VAT,WHT, Prepayment, provisions and other statutory related items are not included as part of financial instruments.

#### 4.3 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its loans. The risk that the Company will realize a loss as a result of a decline in the fair value of loans is limited because the company's loans are based on market interest rate. The Company monitors its exposure to interest rates annually.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings (There is only an immaterial impact on the Company's equity):

	Increase in Interest rate	Effects on Profit before tax
		₦
2015	+5%	7,272,797
2014	+5%	4,261,613

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 4. Risk Management - Contd

#### 4.4 Capital Management

Capital consists of share capital, retained earnings and other reserves attributable to the equity holders of the company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 20% and 30%. Included within net debt are interest bearing loans and borrowings, trade and other payables less cash and cash equivalents:

	2015	2014
	₦	₦
Borrowings	1,371,743,396	1,224,291,290
Trade and other payables	3,587,054,460	2,331,742,687
Less: Cash and short-term deposits	(1,018,702,999)	(896,031,013)
<b>Net debt</b>	<b>3,940,094,857</b>	<b>2,660,002,964</b>
Equity	10,144,768,246	9,445,658,415
<b>Capital and net debt</b>	<b>14,084,863,103</b>	<b>12,105,661,379</b>
<b>Gearing ratio - Net debt divided by capital/equity plus net debt</b>	<b>28</b>	<b>22</b>

#### 4.5 Commodity Cost Risk

The Company is affected by the volatility of certain commodities - LPFO price which form 65% of the company's cost of production.

Due to the significantly increased volatility of the price and the erratic supply of the underlying commodity, the Company's Board of Directors has resolved through its Risk and Strategy Committee to explore other alternate energy generation for its KILN in order to mitigate against the uncontrollable LPFO price fluctuation.

#### Commodity price sensitivity

The following table shows the effect of price changes of LPFO and its impact on Profit before tax.

	Change in Year- End Price	Effect on profit before tax
	₦	₦
<b>2015</b>		
LPFO	+10%	592,366,024
<b>2014</b>		
LPFO	+10%	619,045,172

The company does not enter into any commodity contracts other than its regular supply from and allocation from NNPC - Kaduna Refinery.



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 4. Risk Management - Contd

#### 4.6 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are the same as their carrying amounts shown in the statement of financial position.

The table below shows the analysis of the financial assets:

	31st December, 2015		31st December, 2014	
	Carrying Value ₦	Fair Value ₦	Carrying Value ₦	Fair Value ₦
<b>Financial assets</b>				
Cash and cash equivalents (Note 9)	1,018,702,999	1,018,702,999	896,031,013	896,031,013
Trade receivables (Note 8)	8,259,573	8,259,573	57,885,115	57,885,115
Other receivables	472,326,409	472,326,409	616,251,221	616,251,221
	<b>1,499,288,981</b>	<b>1,499,288,981</b>	<b>1,570,167,349</b>	<b>1,570,167,349</b>
<b>Financial liabilities</b>				
Borrowings	1,371,743,396	1,371,743,396	1,224,291,290	1,224,291,290
Trade Payables	3,587,054,460	3,587,054,460	2,331,742,687	2,331,742,687
Other Payable	1,309,834,436	1,309,834,436	905,370,934	905,370,934
	<b>6,268,632,292</b>	<b>6,268,632,292</b>	<b>4,461,404,911</b>	<b>4,461,404,911</b>

#### 4.7 Financial instruments by category

	31st December, 2015		31st December, 2014	
	Financial assets Loans and receivables ₦	Financial liabilities Amortized Cost ₦	Financial assets Loans and receivables ₦	Financial liabilities Amortized Cost ₦
<b>Financial assets</b>				
Cash and cash equivalents	1,018,702,999	-	896,031,013	-
Trade receivables	8,259,573	-	57,885,115	-
Other receivables	472,326,409	-	616,251,221	-
<b>Financial liabilities</b>				
Borrowings	-	1,371,743,396	-	1,224,291,290
Trade Payables	-	3,587,054,460	-	2,331,742,687
Other Payable	-	1,309,834,436	-	905,370,934
	<b>1,499,288,981</b>	<b>6,268,632,292</b>	<b>1,570,167,349</b>	<b>4,461,404,911</b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

### 5. INTANGIBLE ASSETS

#### SOFTWARE LICENSE

<b>Cost</b>	<b>₦</b>
Balance at 1 January 2015	7,776,060
Addition	1,220,594
<b>Balance at 31 December 2015</b>	<b><u>8,996,654</u></b>
Balance at 1 January 2014	7,776,060
Addition	-
<b>Balance at 31 December 2014</b>	<b><u>7,776,060</u></b>
<b>Amortisation</b>	
Balance at 1 January 2015	2,669,520
Amortisation	2,776,735
<b>Balance at 31 December 2015</b>	<b><u>5,446,255</u></b>
Balance at 1 January 2014	2,002,140
Amortisation	667,380
<b>Balance at 31 December 2014</b>	<b><u>2,669,520</u></b>
<b>NET BOOK VALUE</b>	
<b>Balance at 31 December 2015</b>	<b><u>3,550,399</u></b>
Balance at 31 December 2014	<u>5,106,540</u>

#### Software License

The software license relates to cost of license on software used by the company which is for the period of 5years. Software license is shown at amortised cost. Apart from the computer software, the Company has no other significant intangible assets.

The licences have been acquired with the option to renew at the end of the period. This has allowed the company to determine that these assets have definite useful lives.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

#### 6. PROPERTY, PLANT & EQUIPMENTS

	LAND	QUARRY	BUILDING	PLANT AND MACHINERY	FURNITURE & FITTINGS	OFFICE EQUIPMENTS	MOTOR VEHICLE	CAPITAL WORK IN PROGRESS	TOTAL
COST	₦	₦	₦	₦	₦	₦	₦	₦	₦
<b>Balance at 1 January 2015</b>	55,330,066	377,057,471	625,859,614	8,688,529,085	150,325,249	793,334,242	388,473,501	1,170,039,315	12,248,948,543
Addition	-	300,000	7,753,503	1,120,173,735	2,787,578	16,324,345	46,793,300	1,068,714,054	2,262,846,514
Disposals	-	-	-	(11,244,470)	-	(1,052,242)	(206,390,687)	-	(218,687,399)
Reclassification (Note 6.2)	-	-	695,432	177,756,180	5,342,203	(183,880,514)	(6,423,301)	6,510,000	-
Asset held for sale (Note 6.3)	-	-	3,300,000	-	-	-	-	-	3,300,000
<b>Balance at 31 December 2015</b>	<b>55,330,066</b>	<b>377,357,471</b>	<b>637,608,549</b>	<b>9,975,214,530</b>	<b>158,455,029</b>	<b>624,725,832</b>	<b>222,452,813</b>	<b>2,245,263,369</b>	<b>14,296,407,659</b>
<b>Balance at 1 January 2014</b>	55,330,066	169,191,321	591,378,287	8,146,199,314	147,969,676	736,951,358	371,988,762	276,896,970	10,495,905,754
Addition	-	207,866,150	34,481,327	542,329,771	2,355,573	56,382,884	64,878,951	893,142,345	1,801,437,001
Disposals	-	-	-	-	-	-	(48,394,212)	-	(48,394,212)
<b>Balance at 31 December 2014</b>	<b>55,330,066</b>	<b>377,057,471</b>	<b>625,859,614</b>	<b>8,688,529,085</b>	<b>150,325,249</b>	<b>793,334,242</b>	<b>388,473,501</b>	<b>1,170,039,315</b>	<b>12,248,948,543</b>
<b>ACCUMULATED DEPRECIATION</b>									
<b>Balance at 1 January 2015</b>	-	9,634,862	170,611,317	2,586,505,761	145,097,550	658,550,764	309,598,221	-	3,879,998,475
Charge for the period	-	9,381,637	15,978,365	433,978,307	6,771,516	27,287,677	22,711,696	-	516,109,198
Disposals	-	-	-	(11,244,470)	-	(1,052,206)	(206,390,687)	-	(218,687,363)
Reclassification (Note 6.2)	-	1,676,864	(12,581,353)	371,418,158	3,729,157	(380,642,797)	16,399,971	-	-
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>20,693,361</b>	<b>174,008,329</b>	<b>3,380,657,755</b>	<b>155,598,222</b>	<b>304,143,438</b>	<b>142,319,201</b>	<b>-</b>	<b>4,177,420,306</b>
<b>Balance at 1 January 2014</b>	-	4,101,876	155,518,175	2,213,084,867	137,179,382	606,633,930	285,492,338	-	3,402,010,568
Charge for the period	-	5,532,986	15,093,142	373,420,894	7,918,168	51,916,834	56,330,945	-	510,212,969
Disposals	-	-	-	-	-	-	(32,225,062)	-	(32,225,062)
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>9,634,862</b>	<b>170,611,317</b>	<b>2,586,505,761</b>	<b>145,097,550</b>	<b>658,550,764</b>	<b>309,598,221</b>	<b>-</b>	<b>3,879,998,475</b>
<b>NET BOOK VALUE</b>									
<b>Balance at 31 December 2015</b>	<b>55,330,066</b>	<b>356,664,110</b>	<b>463,600,220</b>	<b>6,594,556,775</b>	<b>2,856,807</b>	<b>320,582,394</b>	<b>80,133,612</b>	<b>2,245,263,369</b>	<b>10,118,987,353</b>
<b>Balance at 31 December 2014</b>	<b>55,330,066</b>	<b>367,422,609</b>	<b>455,248,297</b>	<b>6,102,023,324</b>	<b>5,227,699</b>	<b>134,783,478</b>	<b>78,875,280</b>	<b>1,170,039,315</b>	<b>8,368,950,068</b>

#### 6.1

##### Assets Pledged as Security

As at 31st December 2015, Property, Plant and equipment with a carrying amount of ₦1.7 billion (2014: ₦1.7billion) are subjected to a registered all assets debenture to secure bank loans (See note 13 for further explanation).

#### 6.2

##### Reclassification

During the year, the company carried out a comprehensive reassessment of the carrying value of its Property, Plant and Equipments in order to ensure that it shows a true and fair view. It involve its qualified and competent engineers and an independent consultants to carry out the exercise. The assets useful lives were also reviewed.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 6. PROPERTY, PLANT & EQUIPMENTS (CONTD.)

#### 6.3

##### Assets held for Sale

The company Guest House located in the sokoto metropolis with the carrying value of ₦3.3million which was initially classified as Assets held for sale has been reclassified back to Property, Plant & Equipment due to the company's inability to dispose the property as planned.

#### 6.4

##### Capital Work in Progress

Capital work-in-progress represents assets under construction which are not subject to depreciation. These assets, after completion of construction will be reclassified to the appropriate class of property, plant and equipment.

No facility was obtained to finance the construction of the New Kiln line.

There are no indicators of impairment at the end of the reporting period. The directors are of the opinion that allowance for impairment is not required. Thus, no impairment is recognized during the period.

#### 6.5

##### Depreciation charged during the year are included in:

	2015	2014
	₦	₦
Cost of Sales	464,520,055	398,127,806
Administrative Expenses	51,589,143	112,085,163
	<u>516,109,198</u>	<u>510,212,969</u>

### 7. INVENTORIES

Raw Materials and Consumables	843,859,065	949,115,028
Spare Parts	2,056,331,811	1,933,638,655
Production Work-in-Progress	2,553,535,000	2,120,651,714
Finished Goods	43,679,511	75,464,379
	<u>5,497,405,387</u>	<u>5,078,869,776</u>

The cost of inventories recognised as an expense during the year was ₦6.9billion (2014: ₦7.8billion).

None of the inventories was written down during the year.

As at 31st December 2015, none of the inventories of the company was pledged as security for loans.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

<b>8. TRADE AND OTHER RECEIVABLES</b>	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Trade Receivables	8,259,573	57,885,115
Impairment Allowance (Note 8.1)	<u>(8,058,021)</u>	<u>(43,612,265)</u>
	<u>201,552</u>	<u>14,272,850</u>
<b>Other Receivables:</b>		
Advance to Suppliers	199,589,877	318,117,009
Prepayments	66,652,977	99,274,954
Goods-in-Transit	71,851,111	822,319,262
Staff Debtors	22,453,915	22,201,068
Receivables from other related companies (Note 29)	150,386,258	178,305,881
Sundry Debtors	<u>99,896,359</u>	<u>97,627,263</u>
	<u>610,830,497</u>	<u>1,537,845,437</u>
Impairment Allowance (Note 8.1)	<u>(102,795,028)</u>	<u>(124,363,528)</u>
	<u>508,035,469</u>	<u>1,413,481,909</u>
	<u><b>508,237,021</b></u>	<u><b>1,427,754,759</b></u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of its fair value. Advance payment to Suppliers include advances to contractors for specific supply of parts and other plants accessories with frequent replacement cycle. Also included in the Goods-in-transit is an amount that relates to deposit for 7 units of Komatsu Dump Truck in the sum of ₦32,512,200. Sundry debtors include ₦85,563,792 incurred so far on the company's proposed new issue of shares and right issue.

The Company predominantly transacts its business on cash and carry basis with the exception of four corporate clients in the construction industry who have corporate guaranteed bonds in place with a spelt out and agreed credit terms. Trade Receivables are not interest bearing.

The average credit period of the company's sales is 30days. The company has financial risk management policies in place to ensure that all receivables are received within the agreed credit terms (see note 4).

The following table provides details on the age analysis of trade receivables only:

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Neither Past Due nor impaired	-	3,379,630
30 - 180 days due	201,552	8,806,991
Above 180 days due	<u>8,058,021</u>	<u>45,698,494</u>
	<u><b>8,259,573</b></u>	<u><b>57,885,115</b></u>

The company determines its recoverability of trade receivable after considering any changes in the credit quality of the trade receivables from the date credit is granted up to the end of the reporting period.

### 8.1 MOVEMENT IN IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

Movement in the Impairment allowance on Trade and Other Receivable are as follows:

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
<b>Balance at 1 January,</b>	167,975,793	-
Impairment allowance during the year	32,154,545	167,975,793
Unused amounts reversed	(58,724,814)	-
Amount written off during the year as uncollectible	<u>(30,552,475)</u>	<u>-</u>
<b>Balance at 31 December,</b>	<u><b>110,853,049</b></u>	<u><b>167,975,793</b></u>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 9. CASH AND CASH EQUIVALENTS

	2015	2014
	₦	₦
Cash at bank and in hand	945,367,169	615,517,554
Short term deposit	73,335,830	280,513,459
	<u>1,018,702,999</u>	<u>896,031,013</u>

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The Company has not pledged part of its short-term deposits in order to fulfil collateral requirements with any Banks. Cash and Bank equivalent is exclusive of overdraft balance.

At 31 December 2015, the Company had available ₦600million (2014: ₦898million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following as at:

	2015	2014
	₦	₦
Current Account	945,367,169	615,517,554
Deposit Account	73,335,830	280,513,459
	<u>1,018,702,999</u>	<u>896,031,013</u>
Bank Overdraft (Note 14)	-	(423,795,290)
	<u>1,018,702,999</u>	<u>472,235,723</u>

### 10. NON-CURRENT ASSETS HELD FOR SALE

The company's Guest house located in the Sokoto metropolis initially approved to be put for sale has now been reclassified to Property, Plant and Equipment. This is due to the inability of the Company to dispose the assets within the stipulated period.

	2015	2014
	₦	₦
<b>Assets classified as held for sale comprises:</b>		
Property, Plant & Equipment	3,300,000	3,300,000
Reversed during the year	(3,300,000)	-
	<u>-</u>	<u>3,300,000</u>

### 11. SHARE CAPITAL

#### 11.1 Authorised

6,536,711,080 Ordinary shares of 50k each  
(2014 - 6,536,711,080 Ordinary shares of 50k each)

<u>3,268,355,540</u>	<u>3,268,355,540</u>
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#### 11.2 Issued and fully paid

1,256,677,770 Ordinary shares of 50k each  
(2014 - 1,256,677,770 Ordinary shares of 50k each)

<u>628,338,885</u>	<u>628,338,885</u>
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# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

<b>12. OTHER RESERVES</b>	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Share Premium	3,513,606,409	3,513,606,409
Capital Restructuring Reserves	120,932,727	120,932,727
	<u><b>3,634,539,136</b></u>	<u><b>3,634,539,136</b></u>

### Nature and Purpose of Reserves:

#### 12.1. Share Premium

Represent excess cash proceed on new issue of shares and right issue over years.

#### 12.2. Capital Restructuring Reserve

Capital restructuring reserves was created as a result of the partial privatisation of the company in 1992 which gave rise to accrued benefits from the Loan restructuring of the Federal Government Loan.

### 13. DIVIDEND PAID AND PROPOSED

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
<b>Declared and paid during the year:</b>		
Dividends on ordinary shares for 2015: (2014: ₦879,674,439)	<u><b>439,837,218</b></u>	<u><b>879,674,439</b></u>

#### Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Dividends on ordinary shares for 2015: 10k (2014: 35k per share)	<u><b>125,667,777</b></u>	<u><b>439,837,218</b></u>
<b>Dividend Per share (Kobo)</b>	<u><b>10</b></u>	<u><b>35</b></u>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

14. Borrowings	2015 ₦	2014 ₦
<b>Non-Current Borrowings</b>		
Bank of Industry - Term Loan	1,079,811,646	640,396,800
<b>Total Non-Current Borrowings</b>	<b><u>1,079,811,646</u></b>	<b><u>640,396,800</u></b>
<b>Current Borrowings</b>		
Skye Bank Plc - Bank Overdraft	-	423,795,290
Skye Bank Plc - Term Loan	182,205,879	-
Bank of Industry - Term Loan	109,725,871	160,099,200
<b>Total Current Borrowings</b>	<b><u>291,931,750</u></b>	<b><u>583,894,490</u></b>
<b>CURRENT AND NON-CURRENT BOROWINGS</b>	<b><u>1,371,743,396</u></b>	<b><u>1,224,291,290</u></b>

The above borrowings are further classified based on average interest rate, maturity and provider of funds:

	Average Interest		₦	₦
	Rate	Maturity		
Skye Bank Plc - Overdraft	16%	On Demand	-	423,795,290
Skye Bank Plc - Term Loan	16%	2nd July 2018	182,205,879	-
Bank of Industry - Term Loan	10%	31 March 2020	1,189,537,517	800,496,000
			<b><u>1,371,743,396</u></b>	<b><u>1,224,291,290</u></b>

Movement in borrowings are analysed as follows excluding overdraft:

Year Ended 31st December 2015	₦
Opening amount as at 1 January 2015	800,496,000
Additional borrowings	788,755,000
Repayments of borrowings	(125,281,921)
Deferred Revenue on Government Grant-BOI (see note 15)	(92,225,683)
<b>Closing amount as at 31 December 2015</b>	<b><u>1,371,743,396</u></b>
<b>Year Ended 31st December 2014</b>	
Opening amount as at 1 January 2014	179,001,316
Additional borrowings	800,496,000
Repayments of borrowings	(179,001,316)
<b>Closing amount as at 31 December 2014</b>	<b><u>800,496,000</u></b>



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 14. Borrowings (Continued)

The maturity profile of borrowings is as follows:

	2015	2014
	₦	₦
Due within 30days	-	423,795,290
Due in the next one year	151,424,578	160,099,200
Due in the second year and above	1,220,318,818	640,396,800
	<u>1,371,743,396</u>	<u>1,224,291,290</u>

#### Bank Overdraft

Skye Bank Plc	-	423,795,290
	<u>-</u>	<u>423,795,290</u>

#### Terms of Borrowings:

##### Skye Bank Plc (Formerly Mainstreet Bank Limited) - Term Loan

The facility was sourced to finance acquisition of Property, Plant & Equipment and this is secured against fixed and floating assets debenture of the company. Skye Bank Plc has the first charge on the company asset debenture.

##### Skye Bank Plc (Formerly Mainstreet Bank Limited) - Overdraft

The bank overdraft is obtained to support its working capital requirement for day to day operations. The Bank overdraft is also secured against the floating assets debenture of the company.

##### Bank of Industry (BOI) - Term Loan

The facility was obtained to finance Generating set for the plant and Komatsu Dumping Trucks. The loan is guaranteed by Skye Bank Plc. The loan was obtained at 10% interest rate. Given the concessionary terms at which the company secured the loan, it is considered to have an element of government grant. The prevailing market interest rates for an equivalent loan is 16%. The fair value of the loan is estimated at ₦688million. The difference of ₦112.3million is between gross proceeds of the loan and the fair value of the loan is the benefit derived from the below market rate loan. The difference is recognized as deferred revenue (see note 15).

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 15. Deferred Revenue

	2015	2014
	₦	₦
<b>Deferred Revenue arising from Government Grant</b>		
Current	30,172,859	-
Non Current	62,052,824	-
	<u>92,225,683</u>	<u>-</u>

The deferred revenue arose as a result of the benefit received from government loans (Bank of Industry) granted in 2014 but the repayment commenced in 2015 (See Note 14). The revenue has been recognized in other income. Deferred Revenue is treated as a line item in the statement of financial position.

	2015	2014
	₦	₦
<b>Movement in Deferred Revenue</b>		
Opening amount as at 1 January,	-	-
Total deferred revenue arising from government grant	112,339,386	-
Less: Amount unwind to other income	(20,113,703)	-
<b>Closing amount as at 31 December,</b>	<u>92,225,683</u>	<u>-</u>

### 16. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
	₦	₦
Net profit attributable to ordinary equity holders	<u>1,201,108,049</u>	<u>1,918,361,854</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	<u>1,256,677,770</u>	<u>1,256,677,770</u>
<b>Basic Earning Per Ordinary Shares (kobo)</b>	<u>96</u>	<u>153</u>
<b>Diluted earnings per ordinary shares</b>	<u>96</u>	<u>153</u>
The Company has no dilutive instruments		

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 17. Employee Benefits Obligation

#### Defined Contribution Plan

The company operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act, 2004, with contributions based on the sum of employees' basic salary, housing and transport allowance in the ratio 8% by the employee and 11.5% by the employer.

	2015	2014
	₦	₦
<b>As at beginning</b>	50,920,999	34,332,192
Amount recognised in Profit or Loss	154,342,595	143,700,774
Payments during the year	(113,488,342)	(127,111,967)
<b>As at Ending</b>	<b><u>91,775,253</u></b>	<b><u>50,920,999</u></b>

The company's contributions to this scheme is charged to the profit or loss account in the period to which they relate. Contributions to the scheme are managed by IBTC pension manager, and other appointed pension managers on behalf of the beneficiary staff in line with the provisions of the Pension Reform Act. Consequently, the company has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to meet the related obligations to employees.

As at 31 December 2015, contributions of ₦91,775,253 (2014: ₦50,920,999) due in respect of the 2015 reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

#### Defined Benefit Plan

The Company also has a retirement benefits policy (unfunded) for all its full-time employees who have served the company for a minimum of 2years and 5 years for Top Management Staff and Other Staff categories. The company has a post-retirement programme for any employee who has attained the terminal age limit of 55years.

The valuations of the present value of the defined benefit plan were carried out at 31 December 2015 by HR Nigeria Limited. The present value of the plan and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In calculating the liabilities, the method:

- i. Recognise the company service rendered by each member of staff at the review date.
- ii. Anticipate that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement and then;
- iii. Discount the expected benefit payment to the review date.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 17. Employee Benefits Obligation (Contd.)

#### Valuation Assumptions

The valuation assumptions fall under two broad categories:

- Financial Assumptions
- Demographic Assumptions

#### i. Financial Assumptions

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

Financial Year Ending	2015	2014
	%	%
Long Term Average Discount Rate (pa)	12	14
Average rate(s) of salary increase (pa)	11	12
Average Inflation rate (pa)	9	9

#### Discount Rate

In order to measure the liability, the projected benefit must be discounted to a net present value as at the current balance sheet date.

IFRS through IAS 19 requires that the discount rate be determined on the company's balance sheet date by reference to market yields on high quality corporate bonds, except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds. We are adopting FGN Bonds although State Bonds exist with (broadly) higher yields.

The discount rate should reflect the duration of the liabilities of the benefit programme.

The weighted average liability duration for the Plan is 5.75 years. The average weighted duration of the longest Nigerian Government bond as at 16th December, 2015 was 7.29years with a gross redemption yield of 11.13%.

We are prudently adopting 12% p.a. as the discount rate for the current valuation.

#### Pay Increase

We are assuming on average that salaries will increase by a real 2% p.a.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 17. Employee Benefits Obligation (Contd.)

#### ii. 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 Faculty of Actuaries in the UK.

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

##### Withdrawal from Service

Age Band	2014 Rate	2015 Rate
Less than or equal to 30	4.0%	3.0%
31 – 35	3.0%	3.0%
36 – 40	3.0%	3.0%
41 – 45	1.0%	2.0%
46 – 55	0.0%	5.0%

The amount included in the Statement of Financial Position as a result of the entity's obligation in respect of its defined benefit plans is as follows:

	2015 ₦	2014 ₦
Present value of the defined benefit plan	1,777,116,000	1,947,654,000
Less: Fair Value of Plan Assets	(993,395,000)	(499,980,000)
<b>Funded Status</b>	<b>783,721,000</b>	<b>1,447,674,000</b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 17. Employee Benefits Obligation (Contd.)

Reconciliation of Change in the present value of the defined benefit plan are as follows:

	2015	2014
	₦	₦
<b>As at beginning</b>	1,947,654,000	1,958,831,000
Current service cost	127,076,000	126,594,000
Interest cost	278,802,000	257,428,000
Acturial (gains)/losses - Change in assumption	177,021,000	(104,786,000)
Acturial (gains)/losses - Experience adjustment	(132,041,000)	(17,566,000)
Benefit Payment	(621,396,000)	(272,847,000)
<b>As at Ending</b>	<b><u>1,777,116,000</u></b>	<b><u>1,947,654,000</u></b>

Reconciliation of Change in the fair value of plan assets are as follows:

	2015	2014
	₦	₦
<b>As at beginning</b>	499,980,000	-
Contribution by employers	463,000,000	499,980,000
Benefits payment from the fund	(23,585,000)	-
Expected return on Plan Assets	71,181,000	-
Actuarial Gain/(Loss) on Plan Assets	(17,181,000)	-
<b>As at Ending</b>	<b><u>993,395,000</u></b>	<b><u>499,980,000</u></b>

Amounts recognised in Profit or Loss in respect of these defined benefit plans are as follows:

Current Service Cost (Employee Cost)	127,076,000	126,594,000
Interest on obligation (Finance Cost)	278,802,000	257,428,000
Income on plan assets (Other Income)	(71,181,000)	-
	<b><u>334,697,000</u></b>	<b><u>384,022,000</u></b>

Amounts recognised in Other Comprehensive Income are as follows:

	2015	2014
	₦	₦
Acturial (gain)/loss on defined benefit plan:		
- Change in Assumption	177,021,000	(104,786,000)
- Change in Experience Adjustment	(132,041,000)	(17,566,000)
	<u>44,980,000</u>	<u>(122,352,000)</u>
Acturial (gain)/loss on Planned Assets during the year	17,181,000	-
	<b><u>62,161,000</u></b>	<b><u>(122,352,000)</u></b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 17. Employee Benefits Obligation (Contd.)

	2015	2014
	₦	₦
<b>Net(Liability)/Asset recognized in the Statement of Financial Position</b>		
Net (Liability)/Asset recognised in the Statement of Financial Position - Opening	(1,447,674,000)	(1,958,831,000)
Net Periodic Benefit Cost recognised in the Profit or loss	(334,697,000)	(384,022,000)
Benefit paid by employer during the year	597,811,000	272,847,000
Employer contribution	463,000,000	499,980,000
Amount recognised in Other Comprehensive income	(62,161,000)	122,352,000
	<u>(783,721,000)</u>	<u>(1,447,674,000)</u>

### Sensitivity Analysis on Accrued Liability

		Accrued Liability	
		2015	2014
		₦	₦
<b>Sensitivity Base</b>	<b>Parameters</b>	1,777,116,000	1,947,654,000
Discount rate	+1%	1,689,893,000	1,851,593,000
	-1%	1,872,662,000	2,052,440,000
Salary Increase	+1%	1,881,078,000	2,063,531,000
	-1%	1,680,755,000	1,840,012,000
Mortality Experience	Age rated up by 1year	1,781,267,000	1,973,376,000
	Age rated down by 1year	1,772,975,000	1,905,206,000

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

<b>18. Trade and Other Payables</b>	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Trade Payables	1,035,358,876	788,689,516
Deposit for Supplies	1,110,626,304	754,739,303
Other Payables	914,373,031	425,582,416
Payables to other related companies (Note 28)	199,208,132	150,631,631
WHT & VAT Payable	327,488,117	212,099,821
	<b><u>3,587,054,460</u></b>	<b><u>2,331,742,687</u></b>

### Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other Payables are non-interest bearing and have an average term of six months
- The carrying amount of trade and other payables approximate their fair value.
- For explanations on the Company's credit risk management processes, refer to **Note 4**.

Deposit for supplies are advance payments made by individual customers for supply of goods.

Other Payables consist of accrued expenses and amount due to be paid to retired employees on the End of service benefit as at reporting date.

<b>19. Provisions (Recultivation)</b>	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Opening balance as at January 1,	59,153,885	49,553,885
Additional provisions made	9,600,000	9,600,000
Amounts used during the year	-	-
<b>Closing Balance as at December 31,</b>	<b><u>68,753,885</u></b>	<b><u>59,153,885</u></b>
<b>Analysis of Provisions:</b>		
Non-Current	68,753,885	59,153,885
Current	-	-
<b>Total</b>	<b><u>68,753,885</u></b>	<b><u>59,153,885</u></b>

### Recultivation

Recultivation provisions relates to expected cost of reclaiming excavated quarry sites (mines) into a habitable settlement for farming and local villagers settlement. It also include provision for other environmental issues. The expenditure is expected to be utilised at the end of the useful lives of the mines which is estimated to be between the years 2035 to 2040.



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 20. Contingent Liabilities, Guarantees and Financial Commitments

#### 20.1 Contingent Liabilities

The company has been defending various litigations since 2005 which has been in the law court. The company has disclaimed liability. No provision in relation to this claim has been recognised in this financial statements as, legal advice indicates that it is not probable that a significant liability will arise from the legal suits. The following are the current legal suits pending in the law court:

**Suit filed by Garvey Emeka Okongwu against CCNN Plc.**

The claim was as a result of consultancy services rendered by the firm of Emeka Okogwu and Co.

**Suit filed by CCNN Plc against Abdullahi Abubakar & 405 Others.**

The claim relates to arrears of cement allocations by erstwhile employees of the Company.

**Suit filed by Garba Giwa against CCNN Plc & 2 Others.**

The claim relates to acquisition of some lands for expansion of the Company's quarry.

**Suit filed by CCNN Plc against Hon. Minister of Industry, Trade and Investment**

The claim was in respect of the demand notice for payment for its weight instruments used by the Company as provided in the Weight and Measurement Act.

#### 20.2 Guarantees

The Company did not charge any of its assets to secure liabilities of third parties.

#### 20.3 Financial Commitments

As at reporting date, there are no financial commitments made by the company.

#### 20.4 Operating Lease Commitments

The Company leases various retail outlets, offices and warehouses under noncancellable operating lease agreements. The lease terms are between 1 and 2 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
Not later than 1 year	<u><b>66,652,977</b></u>	<u><b>99,274,954</b></u>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 21. Income Tax Liability

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	<b>2015</b>	<b>2014</b>
<b>As Per Profit or Loss:</b>	<b>₦</b>	<b>₦</b>
<b>Current Income Tax Charge:</b>		
Income Tax	194,531,516	461,328,624
Education Tax	41,632,713	60,035,573
<b>Total Current Tax</b>	<b><u>236,164,229</u></b>	<b><u>521,364,197</u></b>
<b>Deferred Tax:</b>		
Origination and reversal of temporary differences (Note 22)	112,324,578	37,045,510
<b>Total Deferred Tax</b>	<b><u>112,324,578</u></b>	<b><u>37,045,510</u></b>
<b>Income Tax Expense</b>	<b><u>348,488,807</u></b>	<b><u>558,409,707</u></b>
<b>As Per Statement of Financial Position:</b>		
<b>As at 1st January,</b>	521,364,197	507,135,581
Current income tax charge for the year	236,164,229	521,364,197
	<u>757,528,426</u>	<u>1,028,499,778</u>
<b>Less: Payment during the year</b>	521,364,197	507,135,581
<b>As at 31st December,</b>	<b><u>236,164,229</u></b>	<b><u>521,364,197</u></b>

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable domestic tax rate for the respective years ended is as follows:

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
<b>Profit before income taxes</b>	<b><u>1,549,596,856</u></b>	<b><u>2,476,771,561</u></b>
<b>Statutory Company Income Tax Rate</b>	<b>30%</b>	<b>30%</b>
Expected income tax expense calculated at 30% (2014: 30%)	464,879,057	743,031,468
<b>Effects of:</b>		
Taxable and Non-Taxable items	159,704,672	157,502,138
Utilization of Tax credit	(430,052,213)	(439,204,983)
	<u>194,531,516</u>	<u>461,328,623</u>
Education tax expense at 2% (2014: 2%) of assessable profit	41,632,713	60,035,573
<b>Total Income Tax Charge</b>	<b><u>236,164,229</u></b>	<b><u>521,364,196</u></b>
<b>Effective Tax Rate</b>	<b><u>15%</u></b>	<b><u>21%</u></b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 21. Income Tax Liability (Continued)

The tax rate used for 2015 and 2014 reconciliation above is the company income tax rate of 30% based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2001, as amended. The rate of 2% for education tax is based on the provisions of the Education Tax Act, CAP E4, LFN 2004.

	2015 ₦	2014 ₦
<b>22. Deferred Tax Liability</b>		
<b>As Per Statement of Financial Position:</b>		
<b><i>Deferred Tax Relates to the following:</i></b>		
Property, Plant and Equipments	1,180,064,734	1,251,620,434
Intangible Assets	553,610	948,354
Trade and Other Receivables	(34,755,914)	(50,392,740)
Employee Benefit Scheme	(235,116,300)	(434,302,200)
Deferred Revenue	(27,667,705)	-
Provisions	(20,626,165)	(17,746,166)
	<b><u>862,452,260</u></b>	<b><u>750,127,682</u></b>
<b>As Per Profit or Loss:</b>		
<b><i>Movement in deferred tax charge:</i></b>		
Property, Plant and Equipments	(71,555,700)	388,551,900
Intangible Assets	(394,744)	948,354
Trade and Other Receivables	15,636,826	(50,392,740)
Employee Benefit Scheme	199,185,900	(284,315,838)
Deferred Revenue	(27,667,705)	-
Provisions	(2,879,999)	(17,746,166)
	<b><u>112,324,578</u></b>	<b><u>37,045,510</u></b>
<b>Summarized Reconciliation of Total deferred tax liabilities (Net):</b>		
As at 1st January,	750,127,682	713,082,172
Relating to origination and reversal of temporary differences	<u>112,324,578</u>	<u>37,045,510</u>
<b>As at 31st December,</b>	<b><u>862,452,260</u></b>	<b><u>750,127,682</u></b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015 ₦	2014 ₦
<b>23. OTHER INCOME</b>		
Insurance Claims	8,945,748	5,674,284
Sales of Scrap	8,430,353	14,936,180
Reversal Impairment (Net)	26,570,270	-
Deferred Revenue ( Note 15)	20,113,703	-
Profit on disposal of assets	3,646,131	-
	<b><u>67,706,205</u></b>	<b><u>20,610,464</u></b>
<b>24. FINANCE INCOME AND COST</b>		
<b>FINANCE INCOME</b>		
Interest Income	96,615,283	52,703,632
Gain on Foreign Exchange	26,247,774	18,467,115
	<b><u>122,863,057</u></b>	<b><u>71,170,747</u></b>
<b>FINANCE COSTS</b>		
Interest on borrowings	145,455,930	85,232,262
Interest cost - Defined benefit obligation	278,802,000	257,428,000
Foreign Exchange Loss	38,232,741	1,217,358
	<b><u>462,490,671</u></b>	<b><u>343,877,620</u></b>
<b>25. SELLING &amp; DISTRIBUTION COSTS</b>		
<b>Included in selling and distribution cost:</b>		
Marketing Expenses & Other Overheads	22,761,699	42,128,715
Salaries, Wages & Benefits	91,139,349	93,592,814
	<b><u>113,901,048</u></b>	<b><u>135,721,529</u></b>
<b>26. COST OF SALES</b>		
Raw Materials and Consumables	996,715,673	1,637,390,068
Energy Cost	5,923,660,238	6,190,451,717
Repairs & Maintenance	512,012,390	595,855,141
Salaries, Wages and Benefits	1,183,329,506	1,166,298,412
Factory Depreciation	464,520,055	398,127,806
	<b><u>9,080,237,862</u></b>	<b><u>9,988,123,144</u></b>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015 ₦	2014 ₦
<b>27. ADMINISTRATIVE EXPENSES</b>		
Depreciation (Admin.)	51,589,143	112,085,164
Salaries & Wages (Including pension and retirement benefits)	486,397,948	396,427,572
Technical & Management fees	532,932,696	614,675,095
Audit Fees	9,000,000	9,000,000
Board of Directors' expenses	57,881,808	43,571,956
Other administrative expenses	884,388,524	1,090,578,444
	<u><b>2,022,190,119</b></u>	<u><b>2,266,338,231</b></u>

### 27.1 AUDIT AND NON-AUDIT SERVICES

#### a. Audit Services

Audit Fees	9,000,000	9,000,000
Audit expenses	4,009,647	4,022,180
	<u>13,009,647</u>	<u>13,022,180</u>

#### b. Non-Audit Services

	-	-
	<u><b>13,009,647</b></u>	<u><b>13,022,180</b></u>

### 28. REVENUE

Sale of Cement	13,575,999,856	15,371,950,430
Less: Discount	<u>(538,152,562)</u>	<u>(252,899,556)</u>
	<u><b>13,037,847,294</b></u>	<u><b>15,119,050,874</b></u>

Included in sale of cement is revenue of approximately ₦1.811 billion (2014: ₦1.938 billion) which arose from sales to the Company's single largest customer. No other single customer contributed over 10% of the company's turnover during the period.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

### 29. RELATED PARTY

The company entered into various transaction with related parties in the ordinary course of business. Details of the transactions between the Company and other related parties are disclosed below:

#### 29.1 Identity of Related Party

Damnaz Cement Company Ltd  
Edo Cement Company Ltd  
BUA International Ltd  
NOM (UK) Ltd

#### **Damnaz Cement Nig. Ltd**

Damnaz Cement Company Limited is a wholly - owned subsidiary of BUA International Limited through which BUA International Limited's investment of 50.72% in Cement Company of Northern Nigeria Plc is held. The company entered into various transactions with the related party, ranging from provision of technical services and knowhow, to expenses incurred by the related company. The outstanding amount is from the various transactions entered with the related party.

#### **Edo Cement Company Ltd**

This is part of the BUA Group. A subsidiary wholly owned by BUA, Damnaz Cement Company Limited, owns 87% of the shares in this company. The company entered into various transactions with the related party, ranging from support services to expenses incurred by the related company. The outstanding amount is from the various transactions entered with the related party.

#### **BUA International Ltd**

This is the parent company of Damnaz Cement Nigeria Limited - (100% wholly owned), through which 50.72% of shares in Cement Company of Northern Nigeria Plc is held. The company did not enter into any transactions with the related party in the period.

#### **NOM (UK) Ltd**

This is a 100% owned subsidiary of BUA international. The company entered into various transactions with the related party, ranging from supplies of foreign spare parts to expenses incurred by the related company. The outstanding amount is from the various transactions entered with the related party.

## CEMENT COMPANY OF NORTHERN NIGERIA PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

#### 29. RELATED PARTY (CONTINUED)

##### 29.2 Outstanding Balances

	2015	2014
	₦	₦
<b>Due from related entities</b>		
Edo Cement Company Ltd	10,617,951	10,617,951
BUA International Ltd	139,768,307	139,768,307
NOM (UK) Ltd	-	27,919,623
	<u><b>150,386,258</b></u>	<u><b>178,305,881</b></u>
<b>Due to related entities</b>		
Damnaz Cement Company Ltd	172,273,178	92,010,705
NOM (UK) Ltd	26,934,954	-
	<u><b>199,208,132</b></u>	<u><b>92,010,705</b></u>

##### 29.3 Terms and conditions of transactions with related parties

- \* Damnaz Cement Company Ltd provides technical support and management services to the company.
- \* They are entitled to 2.83% of net sales. The amount is payable quarterly. A total sum of ₦403,422,553 (other taxes inclusive) has been included in the Profit or Loss for the period (2014 - ₦456,777,507) as Technical Service Agreement fees.
- \* They are also paid management service agreement fees in total sum of ₦126,490,141 (2014 - ₦157,897,588).
- \* Damnaz Cement Company Ltd and BUA International Ltd were paid dividend in total sum of ₦231.70million during the year (2014: ₦463.40million).
- \* The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

For the period ended 31 December 2015, the Company has not recorded any impairment of receivables to amounts owed by related parties (2014: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

##### Key management personnel

Key management personnel includes: members of the CCNN board of directors and CCNN Top executive management committee. Non-Executive directors are included in the definition of key management personnel as required by IAS 24 Related Party Disclosure. The definition of key management includes the close, members of family of key management personnel and any entity over which key management exercise control, joint control or significant influence. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with the company. They include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner.

	2015	2014
	₦	₦
Salaries and short term benefits	70,281,339	80,471,988
Post-employment benefits, pension and medical benefits	12,166,282	45,821,547
	<u><b>82,447,621</b></u>	<u><b>126,293,535</b></u>

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

	2015	2014
	₦	₦
<b>30. INFORMATION REAGRDIING DIRECTORS AND EMPLOYEES</b>		
<b>CHAIRMAN AND DIRECTORS</b>		
Emolument comprises:		
Chairman's Fees	1,920,000	1,920,000
Directors' Fees	14,492,010	10,575,824
	<u>16,412,010</u>	<u>12,495,824</u>
Directors' Expenses	41,469,798	31,076,132
	<u>57,881,808</u>	<u>43,571,956</u>
<b>EMPLOYEES</b>		
Average number of persons employed per department:		
	<b>Number</b>	<b>Number</b>
Maintenance	93	91
Production	180	177
Finance and Administration	63	70
Sales and Marketing	20	21
Procurement and Inventory Control	22	23
	<u>378</u>	<u>382</u>
<b>Average payroll costs:</b>		
	<b>₦</b>	<b>₦</b>
Wages, Salaries, allowances and other benefits	1,328,769,747	1,312,632,533
Pension and End of Service Benefits	259,595,587	120,163,586
Medical and Welfare	41,489,675	53,572,184
	<u>1,629,855,009</u>	<u>1,486,368,303</u>

### 31. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that have not been included in the financial statement.

### 32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on **16th March, 2016**.



# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## VALUE ADDED STATEMENT (NON-IFRS) FOR THE YEAR ENDED 31ST DECEMBER,

	2015		2014	
	₦		₦	%
Revenue	13,037,847,294		15,119,050,874	
Interest Received	122,863,057		71,170,747	
Other Income	67,706,205		20,610,464	
	<u>13,228,416,556</u>		<u>15,210,832,085</u>	
Less: Bought in materials & services:				
Local	(6,263,293,642)		(6,840,800,786)	
Imported	(2,684,268,704)		(2,931,771,765)	
<b>VALUE ADDED</b>	<b><u>4,280,854,211</u></b>		<b><u>5,438,259,534</u></b>	<b><u>100</u></b>

### APPLIED AS FOLLOWS:

#### 1. TO PAY EMPLOYEES:

Salaries, wages and other benefits	1,629,855,009	38	1,486,368,303	27
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#### 2. TO PAY PROVIDERS OF FUNDS:

Interest on Loan	145,455,930	3	85,232,262	2
Dividend	439,837,218	10	879,674,439	16

#### 3. TO PAY GOVERNMENT:

Income Taxes	236,164,229	6	521,364,197	10
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#### 4. TO PROVIDE FOR REPLACEMENT OF ASSETS AND FUTURE GROWTH:

Depreciation	516,109,198	12	510,212,969	9
Deferred Taxation	112,324,578	3	37,045,510	1
Retained Profit	1,201,108,049	28	1,918,361,854	35
	<u>4,280,854,211</u>	<u>100</u>	<u>5,438,259,534</u>	<u>100</u>

Value Added represents the additional wealth created through the effort of the company and its employees. The Statement shows the allocation of that wealth to employees, providers of fund, shareholders, government and the amount retained for the future creation of wealth.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## FIVE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015	2014	2013	2012	2011
	₦	₦	₦	₦	₦
	IFRS	IFRS	IFRS	IFRS	IFRS
<b>ASSETS/LIABILITIES</b>					
Property, Plant and Equipments	10,118,987,353	8,368,950,068	6,816,998,216	6,501,058,894	5,690,691,335
Intangible Assets	3,550,399	5,106,540	5,773,920	2,002,140	2,669,520
Capital W.I.P	-	-	276,896,970	-	144,080,433
Current Assets	7,024,345,407	7,405,955,548	7,958,806,666	7,738,594,389	6,738,651,040
Current Liabilities	(4,214,077,183)	(3,496,155,259)	(4,101,943,600)	(5,091,528,630)	(4,055,925,074)
Non Current Liabilities	(2,788,037,730)	(2,838,198,482)	(2,671,913,172)	(2,526,688,806)	(2,514,080,555)
<b>NET ASSETS</b>	<b>10,144,768,246</b>	<b>9,445,658,415</b>	<b>8,284,619,000</b>	<b>6,623,437,987</b>	<b>6,006,086,699</b>
<b>CAPITAL AND RESERVES</b>					
Share Capital	628,338,885	628,338,885	628,338,885	628,338,885	628,338,885
Other Reserves	3,634,539,136	3,634,539,136	3,634,539,136	3,825,024,336	3,825,024,336
Retained Earnings	5,881,890,225	5,182,780,394	4,021,740,979	2,170,074,766	1,552,723,478
<b>SHAREHOLDERS' FUND</b>	<b>10,144,768,246</b>	<b>9,445,658,415</b>	<b>8,284,619,000</b>	<b>6,623,437,987</b>	<b>6,006,086,699</b>
	2014	2014	2013	2012	2011
	₦	₦	₦	₦	₦
	IFRS	IFRS	IFRS	IFRS	NGAAP
<b>INCOME STATEMENT</b>					
Revenue	13,037,847,294	15,119,050,874	15,311,033,677	15,125,577,305	13,915,099,146
Profit Before Inome Taxes	1,549,596,856	2,476,771,561	2,105,835,392	1,086,466,140	2,292,325,261
Profit After Income Taxes	1,201,108,049	1,918,361,854	1,559,030,547	1,086,466,140	1,302,332,402
<b>Per Share Data (50 kobo)</b>					
Earnings - Basic	96	153	124	86	104
Earnings - Diluted	96	153	124	86	104
Dividend	10	35	70	-	45
Net Assets	807	752	659	527	478
Dividend Cover (Times)	9.6	4.4	1.8	-	2.3
<b>Cement Deliveries (Tonnes)</b>	<b>404,377</b>	<b>472,094</b>	<b>498,089</b>	<b>465,743</b>	<b>467,866</b>
<b>Cement Production (Tonnes)</b>	<b>395,438</b>	<b>468,662</b>	<b>500,561</b>	<b>462,242</b>	<b>475,321</b>

### Note:

- Earnings per share are based on profit after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.
- Net assets per share are based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.
- Dividend per share are based on dividend proposed and the number of issued and fully paid ordinary shares at the end of each financial year.

# CEMENT COMPANY OF NORTHERN NIGERIA PLC

## GIFTS AND DONATIONS ANALYSIS FOR THE YEAR ENDED 31ST DECEMBER, 2015

The donation during the year represent Corporate Social Responsibility (CSR) project carried out by the company during the year.

The following are the analysis:

<b>S/No.</b>	<b>Corporate Social Responsibility Project</b>	<b>Amount</b>
		<b>₦</b>
1	Rehabitation of Sokoto Cement Schools	10,356,888
2	Donation of drugs and hospital equipments to 4 clinics	2,500,000
3	Rehabitation of community borehole at Fadirma	940,000
4	Grants to Sokoto Cement Schools	28,800,000
5	Cement donation to Communities	4,600,000
6	Replacement of transformer at Gidan Bailu	1,940,000
		<hr/> <b>49,136,888</b> <hr/>