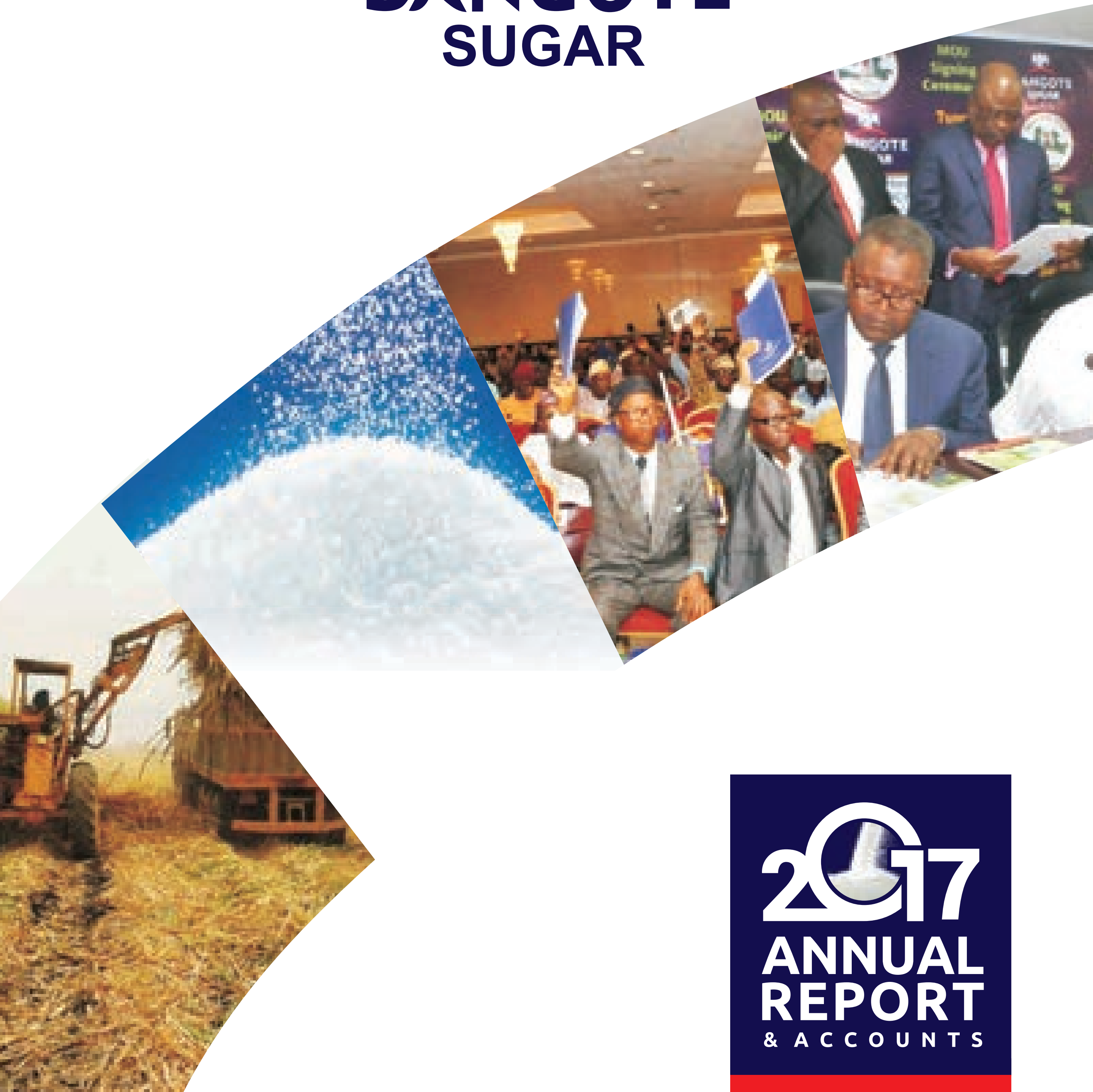
DANGOTE
SUGAR



# 2017 ANNUAL REPORT & ACCOUNTS

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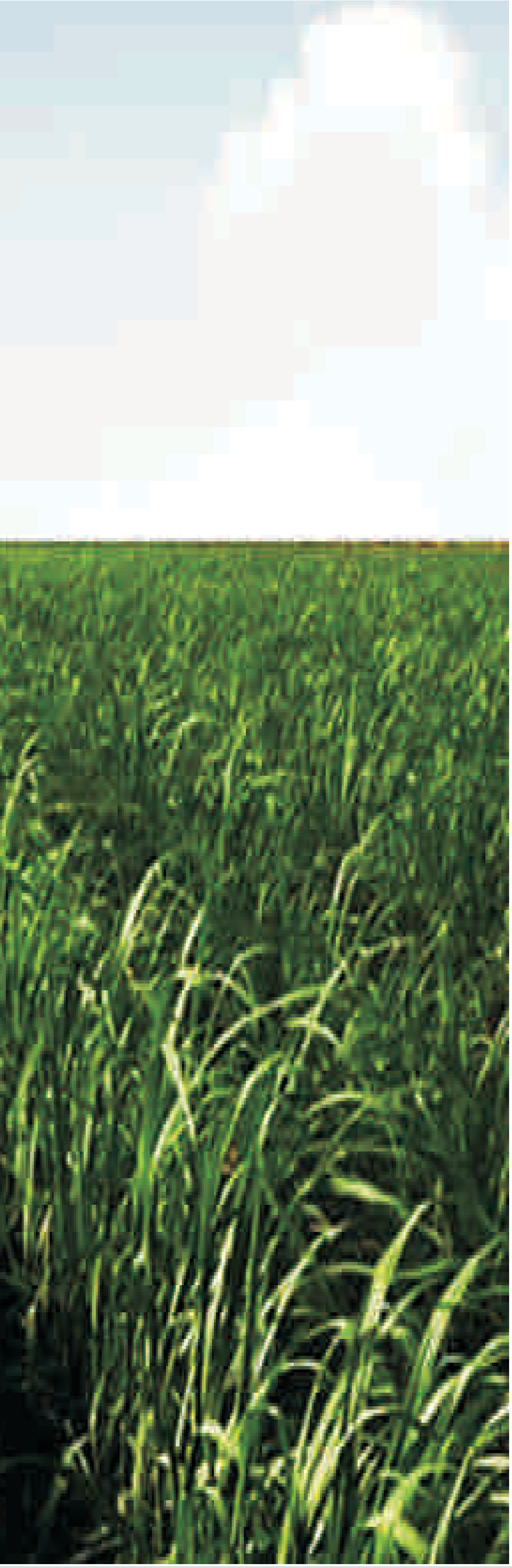


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## Vision

Our vision is to be one of the world's leading integrated sugar producers, respected for the quality of our products and the way we conduct our business.

## Mission

To deliver consistently good returns to our shareholders by selling high-quality products at affordable prices, backed by excellent customer service.

To satisfy market demand by producing the very best refined granulated sugar using exceptional resources and processes that comply with international standards and industry best practices.

To help Nigeria towards self-sufficiency in sugar production by moving from importation and refining to creating new plantations with their own refining facilities, close to major centres of demand, with a target to produce 1.5 – 2.0 million tonnes of refined sugar annually, by 2024 from over 150,000 hectares of locally grown sugar cane.

To provide economic benefits to local communities by way of direct and indirect employment.

To set a good example in areas such as governance, sustainability, health and safety.

## Our Values

Customer Service
Entrepreneurship
Excellence
Leadership

## Our Desired Outcome

"To consolidate our leadership position locally and become a leading integrated sugar company in Africa, with world class standards"

Raw sugar shed at Apapa Refinery

## Directors and Professional Advisers

**BOARD OF DIRECTORS**

| | | |
|---|---|---|
| Alhaji Aliko Dangote, GCON | - | Chairman |
| Engr. Abdullahi Sule | - | Ag. Group Managing Director |
| Alhaji Sani Dangote | - | Non-Executive Director |
| Mr. Olakunle Alake | - | Non-Executive Director |
| Alhaji Abdu Dantata | - | Non-Executive Director |
| Ms. Bennedikter Molokwu | - | Independent Non-Executive Director |
| Dr. Konyinsola Ajayi, SAN | - | Independent Non-Executive Director |
| Mr. Uzoma Nwankwo | - | Independent Non-Executive Director |
| Ms. Maryam Bashir | - | Independent Non-Executive Director |

**COMPANY SECRETARY/LEGAL ADVISER**
Chioma Madubuko (Mrs.)

**AUDITORS**
PricewaterhouseCoopers Chartered Accountants
Landmark Towers
Plot 5B Water Corporation Road,
Victoria Island, Lagos, Nigeria

**BANKERS**

- Access Bank Plc.
- Diamond Bank Plc.
- Ecobank Nigeria Plc.
- Fidelity Bank Plc.
- First Bank of Nigeria Limited
- First City Monument Bank Plc.
- Guaranty Trust Bank Plc.
- Jaiz Bank Plc.
- Stanbic IBTC Bank Plc.
- Standard Charted Bank Nigeria Limited
- Sterling Bank Plc
- United Bank for Africa Plc.
- Union Bank of Nigeria Plc
- Zenith Bank Plc.

**CAPITAL MARKET INFORMATION**

| | |
|---|---|
| NSE TICKER SYMBOL | DANSUG |
| DATE LISTED | 18th March 2007 |
| FINANCIAL CALENDAR (YEAR END) | December 31 |

**AUTHORIZED/PAID UP SHARE CAPITAL**
12,000,000,000 Ordinary Shares of 50k each

**SHAREHOLDER INFORMATION**

| | |
|---|---|
| RC Number | 613748 |
| Date of Incorporation | January 2005 |

# CORPORATE INFORMATION Cont'd

**REGISTERED OFFICE**
3rd Floor, GDNL Building
Terminal E, Shed 20
NPA Wharf Port Complex
Apapa
Lagos

**FACTORY**
Shed 20 Apapa Wharf
Apapa
Lagos

**SUBSIDIARY**

- **Savannah Sugar Company Limited**
  Km 81, Yola – Gombe Road,
  Numan, Adamawa State

**REGISTRAR AND TRANSFER OFFICE:**
**VERITAS REGISTRARS LIMITED**
Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos
Telephone: (01) 27089304, 2784167-8; Fax: (01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

**CORPORATE COMMUNICATIONS/INVESTOR RELATIONS CONTACT**
Ngozi Ngene
+234 8150983259
Ngozi.Ngene@dangote.com
ir@dangotesugar.com.ng
shareholderrelations@dangotesugar.com.ng

# RESULTS AT A GLANCE

| | Group 2017 ₦'000 | Group 2016 ₦'000 | Company 2017 ₦'000 | Company 2016 ₦'000 |
|---|---|---|---|---|
| Turnover | 204,422,379 | 169,724,936 | 198,120,639 | 167,409,161 |
| Profit Before Taxation | 53,598,868 | 19,614,434 | 54,882,983 | 20,759,524 |
| Taxation | (13,815,253) | (5,218,496) | (17,060,375) | (6,560,831) |
| Profit After Taxation | 39,783,605 | 14,395,938 | 37,822,608 | 14,198,693 |
| Other Comprehensive Income | – | – | – | – |

| | | | | |
|---|---|---|---|---|
| Profit After Taxation | 39,783,605 | 14,395,938 | 37,822,608 | 14,198,693 |
| Dividend Paid Per Share | 50 kobo | 60 kobo | 50 kobo | 60 kobo |
| Share Capital | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Shareholders' Fund | 92,735,635 | 66,152,030 | 99,207,358 | 74,584,750 |
| Earnings Per Share (Naira) | 3.31 | 1.2 | 3.15 | 1.18 |

**Proposed Dividend**

The Directors recommend a final cash dividend of ₦1.25 for every ordinary share of 50 kobo each held in the company, for the year ended December 31, 2017, having paid an interim dividend of ₦0.50 for every one ordinary share of 50 kobo each during the year. This will bring the total dividend for the year ended 31st December, 2017 to ₦21 billion. The final dividend is subject to shareholders' approval at the Annual General Meeting.


DANGOTE
SUGAR
Guaranteed Sweetness
DANGOTE
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@dangote_sugar
+DangotesugarNG
@dangotesugar
Dangote Sugar Refinery PLC

Dangote Sugar Refinery Plc. ("Dangote Sugar" or "DSR") is a household name in the sugar refining sector of the Nigerian Food and Beverage Industry. Dangote Sugar refining facility at Apapa is the largest in Sub-Saharan Africa, with 1.44MT per annum installed capacity.

Our core competencies include:

- Refining of raw sugar to make high quality Vitamin A fortified and non- fortified granulated white sugar
- Marketing and distribution of our refined sugar grades in 50kg, 1kg, 500g & 250g packages
- Cultivation and milling of sugar cane to finished sugar from our subsidiary, Savannah Sugar Company Limited
- Development of Greenfield projects in line with our "Sugar for Nigeria Project," strategic plan

Our business provides key value-added support services for customers including logistics, supply – chain management, credit and risk advice, sales and merchandising. The refining operations are supported by warehouses located strategically across the country and served by more than 550 trucks that take the finished products to the market.

Tunga Sugar Project Site

Centrifugal machines

**Refinery Operations**

Dangote Sugar is a world class 1.44MT/PA facility located at Shed 20 NPA Apapa Wharf Complex, at Apapa Wharf Lagos. The facility, commissioned in year 2000, was the first sugar refinery built in Nigeria, with an initial refining capacity of 600,000MTPA.

Over the years, the facility has undergone two major upgrades which turned it into one of the largest sugar refineries in the world with 1.44MTPA refining capacity, at the same location. The refinery is powered efficiently with gas and/or Low-Pour Fuel Oil (LPFO) with 16MW of in-house power generating capability.

The Dangote Sugar Refinery, produces 45 ICUMSA Vitamin A Fortified refined granulated free flowing crystal white sugar, packaged and distributed in 50kg, 1kg, 500g, 250g and non-fortified granulated sugar in 50kg bags. The sugar sold under the brand name Dangote Sugar, is loved and preferred over any other sugar brand in Nigeria by consumers.

Our facility and production processes are operated in line with regulatory and international standards, and can accommodate requests for special products and packaging from customers.

Dangote Sugar Refinery is QMS, (ISO 9001:2008), FSMS, (ISO 22000:2005), OHSMS, (ISO 18001:2007) and (FSSC 22000) certified.

1 ton bagging facility

Refinery Loading Bay

**Sales and Distribution**

Dangote Sugar is a leading supplier of high quality refined granulated Vitamin A fortified white sugar for direct consumption, and non-fortified sugar for industrial use.

Our sugar brand is a leader with over 60% of the Nigerian sugar industry market share and are trusted by the various industries we serve. Through our vast network of trade distributors, we reach a wide variety of consumers in Nigeria, and neighbouring countries, on the West African coast.

With high volume capacity warehouses at strategic locations across Nigeria; the warehousing locations are part of Dangote Sugar's strategy to optimize supply chain opportunities by being close to our target markets with very fast and reliable delivery service.

Dangote Sugar Refinery Plc's goal to sustain and grow its current market share is being actualized by partnering with retailers, sugar cubing companies, private label packaging, and small-scale business to set the platform for sustainable market expansion.

The Company's strength is drawn from the Dangote Group's culture of exceptional performance. We are building competences within our teams, to provide the needed support to these partners and ensure that the opportunities are maximized to their full potentials. The customers with outstanding performance during the year were appreciated at the 2017 Dangote Foods Customer's Awards/Gala Nite.

With warehouses strategically located near our key markets nationwide, and DSR Fleet with over 500 haulage trucks in the fleet, our delivery is fast and reliable covering over 1000 Dangote Sugar customers nationwide. This ensures our customers are served effectively to ensure availability of our products to the end users at all times.

With a professional team that has a minimum of 15

DSR Fleet Truck

years industry experience, the goal is to sustain our leadership position in the Nigerian sugar sector, by ensuring availability through effective delivery schedules and timelines.

DSR Sales and Fleet employees are empowered to take ownership of every transaction. They adopt cost effective measures, to ensure seamless operations and efficiency at resolving the inevitable problems that may occur when traffic grid locks, weather, and other road mishaps that threaten timely fulfillment of scheduled commitments to our customers.

Finished sugar warehouse at SSCL

**Sugar for Nigeria Project**

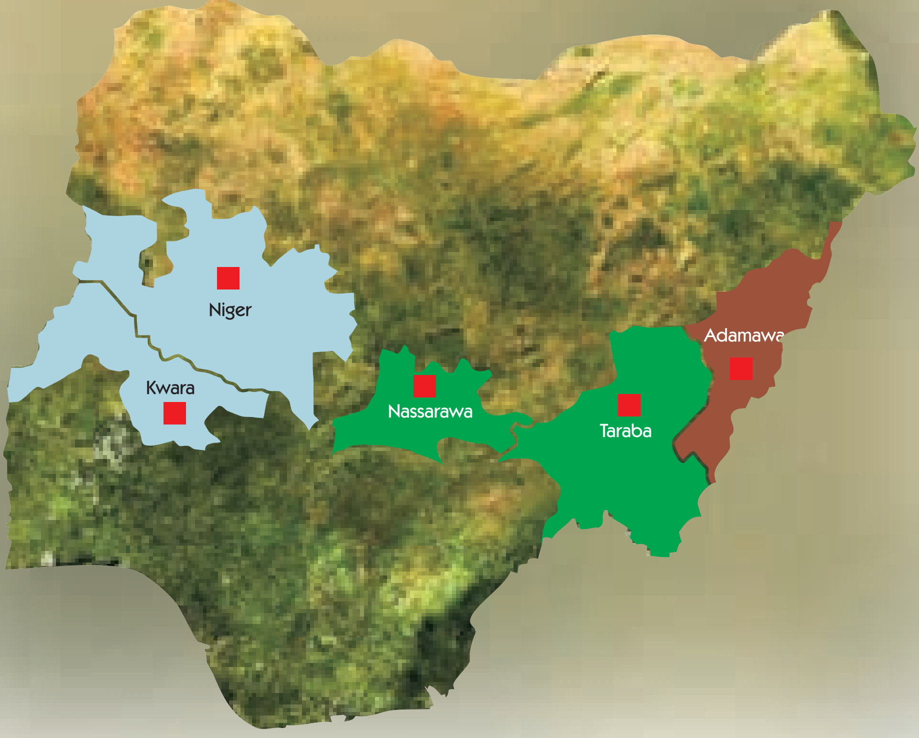
The Dangote Sugar Refinery Plc, Sugar for Nigeria Project goal remains to become a global force in sugar production, working within Nigeria's National Sugar Master Plan to end importation, produce 1.5MMT/PA of locally grown sugarcane; and sell in Nigeria and neighbouring countries.

To achieve this goal, Dangote Sugar Refinery Plc acquired Savannah Sugar Company Limited, in December 2012, and embarked on the rehabilitation of its facilities and expansion of its sugarcane estate. Located on 32,000 hectares, the Savannah Sugar estate has considerable opportunity for expansion, which is being augmented by acquiring additional sites that are suitable for sugarcane plantation to achieve the target 150,000 hectares required for the Project.

The "Sugar for Nigeria" Project's goal was re-evaluated for implementation in phases due to the various challenges facing the project ranging from land acquisition to lack of skilled manpower amongst others. This will see to the achievement of 1.08M MT/PA refined sugar in the 6 years, and eventually the target 1.5M MT/PA of refined sugar, from locally grown sugar cane, across various sites in Nigeria.

The 1.08MMT/PA will be achieved from the first phase of the project, covering Rehabilitation and Expansion of Savannah Sugar Company Limited, and two greenfield projects located at Lau/Tau in Taraba State as well as Tunga, in Nasarawa State.

The MOU for the Niger State Project has been signed and we are in the process of completing the land acquisition, as well as that of Kwara State for the second phase of the project.



## OPERATIONS Cont'd

**Savannah Sugar Company Limited**
Savannah Sugar Company Limited (SSCL), a subsidiary of Dangote Sugar Refinery Plc, an existing cane sugar production company located on 32,000 hectares of land in Numan, Adamawa State, Nigeria, with a milling capacity of 50,000 tonnes of sugar per annum. Presently, SSCL produces refined sugar from over 6,000 hectares of sugar cane cultivated on its sugarcane fields.

As part of the DSR sugar backward integration strategy, SSCL is still undergoing rehabilitation and expansion to cultivate more of its land for a robust harvest. The expansion project will increase sugar milling capacity to about 260,000 tonnes of sugar per annum, from sugar cane produced on approximately 25,000 hectares. The project will include the development of an enlarged out-growers scheme and the refurbishment of infrastructure within the estate. The existing factory will be upgraded from 3000TCD to 6000TCD; and installation of a 12000 TCD factory, to process the increased cane supply.

SSCL has 700 full-time staff in its employment, over 4800 part-time staff and seasonal workers during the harvest season


SSCL Outgrowers Awards by Sugar Council

Planting and Irrigation at SSCL

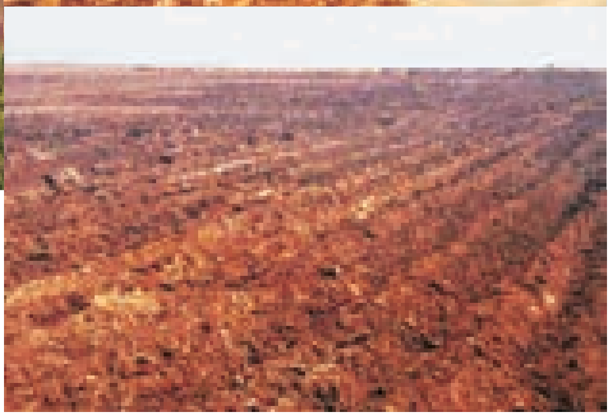
**Tunga Sugar Project, Nasarawa State**

The Tunga Sugar project, is a Dangote Sugar Refinery Plc Backward Integrated Project. The 60,000 hectares Sugar Project Site is located at Tunga, Awe Local Government Area, of Nasarawa State.

The Memorandum of Understanding with the Nasarawa state government was signed, in June 2017, and the compensation for the land in the sum of N3.25 billion fully paid to the land owners.

The land clearing and development for the 50 Ha seed cane farm has also been completed, and work on another 150 Ha area for planting commenced in early 2018. The agricultural and factory design amongst others are ongoing and will be completed for full implementation to commence during the 2018/2019 crop season.

Aerial view of Tunga Sugar Project Site



Seed cane land preparation @ Tunga

**Lau/Tau Sugar Project, Taraba State**

Lau/Tau Sugar project, is the Dangote Sugar Refinery Plc Lau/Tau Sugar Backward Integration Sites in Taraba State. The project was set back due to various issues that arose over the change in government of the state and community relations over the land acquisition.

These issues were successfully resolved early this 2018, and the Lau/Tau Sugar Project team has mobilised to site. A new site identified for the relocation of the 200 Hectares seed cane farm. The project team has commenced arrangements in readiness for the take-off of full operations during the 2018/2019 crop season. The 2,000MT seed cane required to plant the 200 hectares will be supplemented from Savannah Sugar.

Ag. GMD with staff at the Lau Project Site

Lau & Tau Sugar seed cane farm

DANGOTE
SUGAR

# VITAMIN A FORTIFIED REFINED GRANULATED WHITE SUGAR


## Guaranteed sweetness

dangotesugarrefinery @dangote_sugar +DangotesugarNG @dangotesugar Dangote Sugar Refinery PLC

# 2017 Operations Review

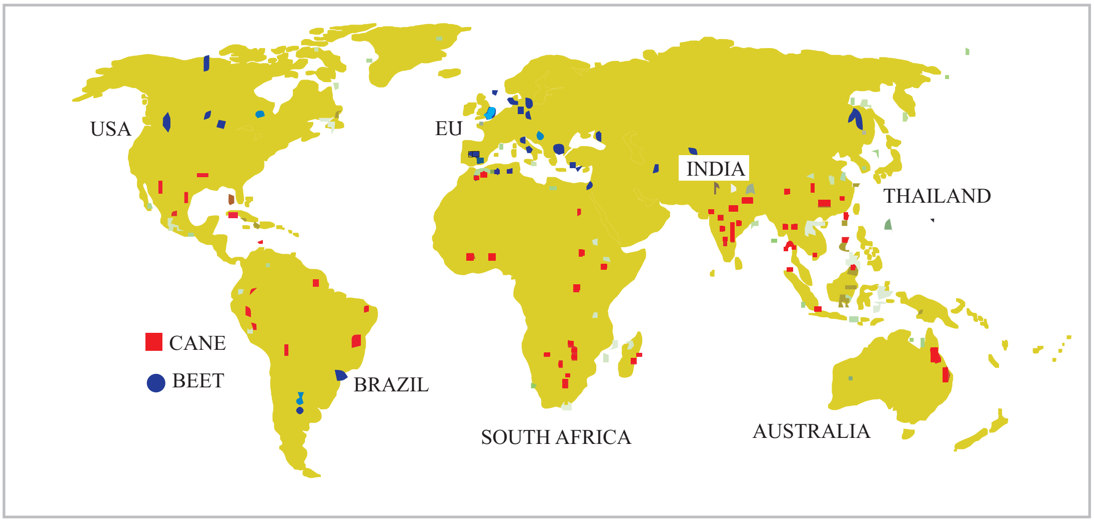
## THE GLOBAL SUGAR MARKET

Sugar, used as a sweetener in food and beverages, is a sweet crystalline substance acquired from various plants, such as sugar cane and sugar beet. It is said that sugar had first been used in the Polynesian Islands more than five thousand years ago. Early Polynesians discovered that sugar cane held a sweet-tasting liquid and could be used in preparing food. Sugar cane then became widespread due to trade, invasions and conquests. In 1493, Christopher Columbus brought sugar cane to the Caribbean and the crop thrived in the fertile environment.

### SUGAR PRODUCTION

Currently about 130 countries produce either sugarcane or sugar beet. Sugarcane accounts for about 80% of global sugar production. In 1980 the top ten producing countries accounted for 56% of global output, whereas in 2016 the top ten accounted for 76%. In 2017 global sugar production amounted to about 178 million metric tonnes, with Brazil as the largest sugar producing country in the world, yielding approximately 39.15 million metric tons of sugar. World Sugar production would reach 185 million tonnes in 2017/18, with consumption rising to 174 million tonnes, both record levels, are as per the US Department of Agriculture (USDA) report. Sugar production is affected by weather and the amount of land under cane, while the consumption of sugar is driven by macro-economic factors such as increasing wealth and population growth in the developing world, set against the conscious reductions in sugar consumption in the developed world.

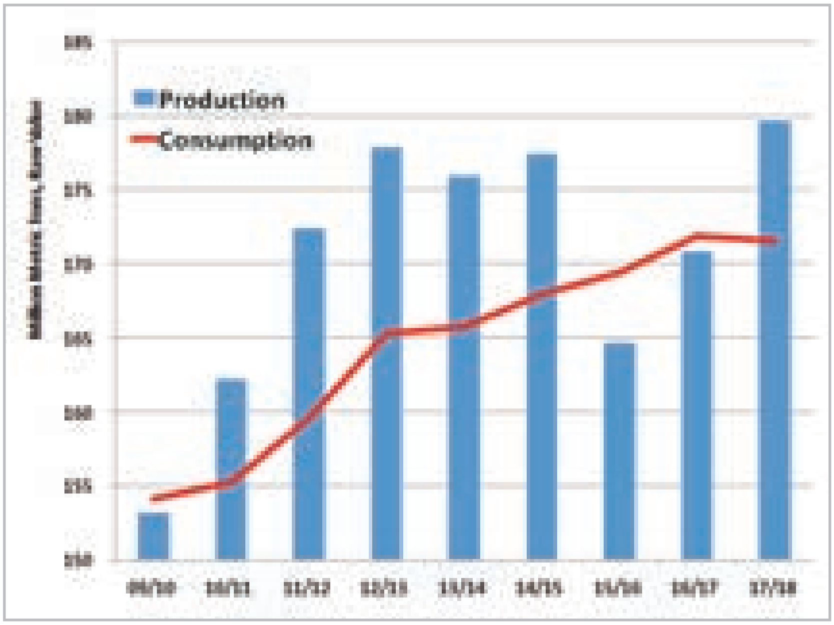
The Global Sugar Market is expected to Reach 195 Million Tons by 2022.



## THE GLOBAL SUGAR MARKET cont'd.

### SUGAR CONSUMPTION

Developing countries account for 77% of global sugar consumption and are expected to be the primary sources of future demand growth, particularly in Asia. India is the world's biggest consumer of sugar accounting for more than one-tenth of the total global consumption in 2016. In 2017, the global sugar consumption exceeded 171.87 million metric tonnes. Global consumption continues to expand, averaging 1.83% over the past 10 years driven largely by population growth, rising incomes and shifting dietary patterns.



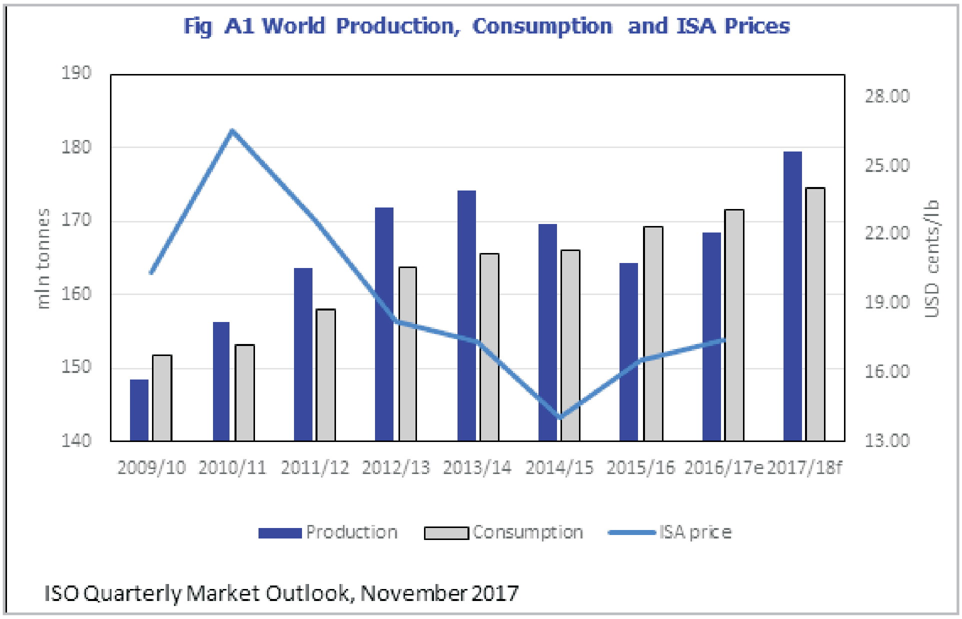

USDA report: Sugar, World Markets and Trade

### SUGAR TRADE

Sugar is traded as a commodity in the international market. World sugar trade averages about 60million metric tonnes/year. Raw sugar accounts for more than 60% of internationally trade volumes. Although many countries produce sugar, ten countries dominate global raw sugar exports, with Brazil, Thailand, Australia, Guatemala, Mexico, India, Cuba, Swaziland, Argentina and El Salvador accounting for 92% of the trade in 2016. Brazil, as the largest producing and exporting country in the world, dominates world trade, accounting for 45% of global export trade in 2016, up from 21% in 2000

Sugar price is determined by the dynamics of global supply and demand, as well as any change in government policies of producing nations.

## THE GLOBAL SUGAR MARKET cont'd.




Whilst many forces continually impact upon annual global production, a major sustainability feature of this industry is its historic and continuing sugar consumption growth, especially in Africa, which increases on an average of 2% per annum. Africa grows only about 5% of the world sugar production. South Africa is the leading producer followed by Sudan, Kenya and Swaziland. In Africa, sugar output is projected to increase by 49% by the end of 2025 as a result of production expansion in Sub-Saharan countries. With its favourable agronomic conditions, Africa has significant potential to contribute towards the production needed to meet this growing demand.

Africa sugar production is projected to increase by 4% annually to 2025 due to the continued increases in production capacity at both the farms and processing levels. The growth will be driven by strong demand for sugar, Government policies, like the Nigerian Sugar Master Plan, as well as trade opportunities offered under the Economic Partnership Agreements; the Everything but Arms initiative of the European Union.

Per capita sugar consumption in Africa is historically low and growth prospects are high compared to other regions. High increases in consumption are also projected in several Sub-Saharan countries, both in level and per capita, which will be driven by continued urbanization, rising incomes, growing population etc.


DANGOTE SUGAR

## We are part of your daily nutrition

At Dangote Sugar, our goal is to improve everyday life, by providing high quality products and services, whether it's food, shelter or communication. It is our way of raising the quality of life for all, making life just a little sweeter for everyone.

dangotesugarrefinery @dangote_sugar +DangotesugarNG @dangotesugar Dangote Sugar Refinery PLC

# CHAIRMAN'S STATEMENT

Aliko Dangote, GCON
**Chairman**

"The Company forged stronger to achieve a Group turnover of ₦204.42 billion, 20.44% increase over the comparative period in 2016. A PBT (Profit Before Tax) of ₦53.6 billion, 173% increase over 2016"

Fellow Shareholders, Distinguished Guests, Gentlemen of the Press, Ladies and Gentlemen.

It is my pleasure to welcome you all to the 12th Annual General Meeting of your Company, Dangote Sugar Refinery Plc. I shall be presenting to you the Annual Report and Financial Statements, with the excellent results achieved by your Company for the year ended December 31, 2017. Please permit me to present a brief review of the operating environment in 2017, its impact on businesses and consumers as well as brief expectations for 2018.

**PERFORMANCE/PROJECTIONS**

In spite of the gloomy economic outlook at the dawn of 2017 - due to persistent depletion of the country's external reserves, high inflation rate, and a foreign exchange crisis that weakened the Naira; DSR was able to weather through the economic downturn, which fortunately took a better turn mid-year 2017. The recession eased, and Naira stabilized against the dollar as the economy continued on a steady recovery pace.

Aided by a range of forex policies introduced by the CBN, the Nigerian economy was led to shore in the final quarter of 2017, seeing growth rise to a two-year high on an impressive performance in the non-oil sector; a turnaround that presented a positive outlook for the ailing economy and much needed boost for investor confidence.

The economic landscape improved progressively with expected growth at 2.1% in 2018 and 2.5% in 2019; a projection based on higher oil prices and production, inclusive of stronger agricultural performance. With a major improvement in oil prices from $43 per barrel in 2016, to an average of $52 per barrel (Brent Crude) in 2017, it is projected to have a bounce back at $54 in 2018. In addition, oil production gladly increased from 1.45 million barrels per day in the first quarter of 2017 to 2.03 million barrels per day in the third quarter of 2017, and is expected to maintain that pace in 2018, thanks to the cutback of hostilities in the delta region.

**2017 PERFORMANCE**

DSR put up a rather impressive performance since the inception of the company against all odds, given the uncertainties and various socio-economic challenges that gritted the year under review. The company forged stronger to achieve a Group turnover of ₦204.42 billion, 20.44% increase over the comparative period in 2016. A PBT (Profit Before Tax) of ₦53.6 billion, 173% increase over 2016, and a Profit After Tax of

₦39.78 billion.

EBITDA rose to ₦51.4 billion, a 113.28% increase compared to the ₦24.14 billion, margins of 25% and 14% for 2017 and 2016 respectively. Earnings per share grew to ₦3.31, a 175.8% increase over 2016.

**DIVIDENDS**

The Board has recommended to the shareholders for approval at this meeting, the payment of a final dividend of ₦15 billion, being ₦1.25 per share per ordinary share of 50 kobo each for the year ended December 31st 2017. The board had earlier approved the payment of an interim dividend of ₦6 billion, being ₦0.50 per share. This brings the total dividends for the year under review to ₦21 billion; being ₦1.75 per ordinary share of 50 kobo each for the year ended December 31st 2017, a record 192% increase over year 2016.

On approval, the final dividend will be paid to shareholders in the register of members at the close of business on Friday, 13th April, 2018, net withholding tax at the standard rate. Shareholders are also encouraged to embrace the e-dividend option to ensure prompt payment of the dividends to their bank accounts.

**THE BACKWARD INTEGRATION PROJECTS**

The company has spent ₦121 billion on equipment, land acquisition, compensation to land owners, consultancy and related services towards a progressive actualization of the company's Sugar for Nigeria Backward Integration Project Plan. In accordance with plans to realign implementation in phases, the 60, 000ha Tunga Sugar Project in Nasarawa was included in the project during the year under review. Full payment was made for the land to the tune of ₦3.250 billion, with an MOU signed by the state government; sequel to which necessary developmental work has been mobilized on site.

Despite major setbacks like flood, community relations issues and most recently communal clashes between host community and Fulani Herdsmen that hampered progress, Savannah Sugar remained the only company producing sugar from own grown sugarcane in the country, with over ₦30 billion spent to date; a purposeful investment towards rehabilitation of land and infrastructure, field expansion projects and equipment. Further commitment has been displayed by significant investment in replanting existing fields and increase factory capacity from its current 3,000TCD to 6,000TCD. With the introduction of new irrigation system to improve cane output and production, a 12,000TCD factory was installed.

Negotiations with the Government and local communities of Kwara and Niger on land acquisition processes are ongoing, in line with the backward integration sites plan. Project activities will resume in Taraba State when the rain assuages - after issues with the Government and local communities over the Lau/Tau project which has recently been resolved.

**SOCIAL RESPONSIBILITY & GOVERNANCE**

In addition to the support and sponsorship of various causes by the Company, a robust social responsive scheme has been developed and will be implemented across all the backward integration projects communities. Under which are direct and induced employment of locals, hospitals, schools, roads etc.

The CGRS certification was attained in 2017, as conducted by the Convention for Business Integrity.

The Directors all passed the Fiduciary Awareness. Sustainability is assured, and risks minimized due to the prompt supervision of the Board Risk and Assurance Committee.

**BOARD OF DIRECTORS**

No major changes in Board composition since last

Annual General Meeting. However, the Directors retiring by rotation, being eligible offered themselves for re-election during the meeting.

**EMPLOYEES, CUSTOMERS & OTHER STAKEHOLDERS**

Many thanks to the management and staff for their resilience and hard work in delivering a successful year under review. Also, to the customers for their continued loyalty and patronage. Not forgetting the stakeholders for their continued support and needed inputs.

**THE FUTURE**

The Board remains committed to the medium and long-term goals of the Sugar for Nigeria Project, despite challenges that surround. The cost efficiency project in Apapa refinery prior to and during the year under review will impact positively on the Company's performance in the years ahead.

The Board remains focused on engaging more strategies for optimum delivery to all stakeholders. I thereby solicit your unrelenting support and renewed commitment to achieving set goals for 2018 and beyond.

Thank you.

**Aliko Dangote, GCON**
**Chairman**
**FRC/2013/IODN/0000001766**

**June 2018**

Mai shayi experience stand @ Dangote Foods Gala Nite

> *"Despite this situation we were able to deliver the excellent results before you today. With a record Profit Before Tax of ₦53.6 billion, Profit After Tax of ₦39.78 billion, and a revenue growth of 20.44% over the previous year."*

**ENGR. ABDULLAHI SULE**
***Ag. Group Managing Director***

Dear Shareholders, Members of the Board of Directors, Management, Regulators, Ladies and Gentlemen; I present to you once again highlights of the events that impacted our operations during the year ended December 31st, 2017.

**2017 OPERATIONS**

The year 2017 was a mixed experience in view of the various challenges we faced as a company due to our operational environment and its effect on our business during the year. Nonetheless, we were not deterred, but continued on the journey to sustain and surpass our performance in the previous year; while providing all stakeholders with the anticipated benefits.

During the year, the recession eased up by the 2nd quarter, with the relative calm in the overall security situation in the country. The foreign exchange rate also stabilized following the various intervention policies introduced by the CBN.

Despite these improvements in the economy, there was continued liquidity squeeze in the market, which had an adverse effect on consumer spending and in turn affected demand of products by our industrial and Trade customers. Our strategic focus remained on these key areas to: -

- Improve operational efficiency
- Retain and grow our customer base with focus on all segments of the market
- identify and create new markets
- Develop our human resources for productivity and growth

Dangote Sugar Refinery's growth is been driven by these areas as we continue to focus on creating new markets and building a system that supports our processes for sustainable growth.

**OUR PERFORMANCE**

The year 2017 was a very challenging year for our operations. The Apapa traffic gridlock, terrible road conditions to our key markets nationwide; and the influx of unlicensed sugar into the country had a major impact on our sales and production output during the year.

Despite this situation we were able to deliver the excellent results before you today. With a record Profit Before Tax of ₦53.6 billion, Profit After Tax of ₦39.78 billion, and a revenue growth of 20.44% having made ₦204.42 billion revenue for the year.

This performance has made the Board to propose payment of a final dividend in the sum of ₦1.25 per share, which brings the total dividend for 2017 to ₦1.75 per share, representing a total shareholder return of 192% increase over 2016. The final dividend is subject to the shareholders' approval at the Annual General Meeting.

**THE BACKWARD INTEGRATION PROJECTS**

Since 2013 Dangote Sugar Refinery has been on the march to transform from a refinery only operations to a full integrated sugar business, which produces sugar from own grown sugar cane from the farm to finished product. The journey has been a very challenging experience due to the unforeseen hitches we encountered in the land acquisition process, amongst others. Despite these challenges, we continued with the vigorous pursuit of our target to achieve 1.08 metric tonnes of refined sugar annually in 6 years; and eventually 1.5million metric tonnes in 10 years.

Fortunately, the Board of Director's commitment to the achievement of this target led to the re-evaluation of the project targets and realignment of our strategy into phases. The first phase will see to the production of 1.08million metric tonnes of refined sugar in 6 years from Savannah Sugar Company Limited, Lau/Tau and Tunga Sugar projects.

Savannah Sugar still remains the main refined sugar producer from its own grown sugarcane in Nigeria. The 2017/2018 crop season kicked off on the 24th November, 2017. Unfortunately, the crop operations during the quarter was affected by the 2 months closure of the company over the Fulani herdsmen clash and community relations issues. The closure did not allow for any filed operations which affected the cane in the field and the attendant low yield from the harvest.

On the other hand, the 60,000ha Tunga Sugar Project is on course. The Memorandum of Understanding (MOU) with the Nasarawa State Government had been executed, and compensation for the land had been fully paid by DSR. We have acquired additional 8,000ha which makes it a total of 68,000ha for the project. The 60,000ha will be under cane, while the 8,000ha will cater for the needed infrastructure for the project. The survey, land clearing, development and planting of 100ha seed cane farm have been completed for the propagation of the BIPs.

Earlier this year, the issues over the Lau/Tau Project site were resolved with the Taraba State Government. Operations resumed at the site with 7km road construction and planting of 100 Ha seed cane farm.

The MOU for the 16,600ha of land with the Niger State Government was signed during the year, and the State Government had constituted a Committee to recommend the compensation rate for the land. Unfortunately, the land would not meet our need and a request has been made for a replacement of the land which would be at least 30,000 ha. Consultations and sensitization campaign are ongoing with the Kwara State Government. Both Niger State and Kwara are planned for the second phase of the project.

**RISK MANAGEMENT, INTERNAL AUDIT AND CONTROLS**

Driven by our continued desire to adequately safeguard, verify and maintain accountability for our operations and assets, we continued to improve on our internal controls system during the year under review. A risk-based internal controls and systems designed to provide reasonable assurance to the integrity and reliability of our operations; products and financial statements, were maintained.

Expected losses are derived from the product of the probabilities of events occurring and the impact. These expected losses are derived from quantitative parameters that capture events, impact of current and anticipated risk trends in line with the business objectives to ensure that identified risks are properly managed and mitigated within acceptable limits derived from the Company's risk appetite.

This methodology is employed to maintain an optimal risk environment on an ongoing and forward-looking basis. This approach will ensure that all financial threats to the achievement of the Company's strategic intent and business objectives are eliminated or minimized on an ongoing basis. As we did in 2017, we will continue to improve risk management in 2018, applying increasingly sophisticated and granular methods to manage our risk exposure as the Company continues to grow.

**GOOD GOVERNANCE PRACTICE AND CORPORATE SOCIAL RESPONSIBILITY**

Operating ethically is a core value of Dangote Sugar Refinery Plc. The Directors are at the fore of ensuring that good governance, fairness, integrity and accountability is entrenched in our daily operations. The approach is to stay abreast with local and international best practices and to ensure that requirements are met in our operations.

Our Code of Conduct and Ethics are reviewed and updated as and when necessary, in line with internationally acceptable safety, manufacturing and food safety standards. This is evidenced by the outcome of the Fiduciary Awareness test taken by the Directors and the CGRS certification was attained in 2017, as conducted by the Convention for Business Integrity.

We are mindful that the sustainability of our business is interwoven with the well-being and advancement of the communities in which we operate. Therefore, in addition to creating jobs and other economic opportunities, we continue to provide education, free health care and other support services as embedded in our social impact scheme for the communities in which we operate.

**PEOPLE**

Our people remain key to achieving our goals. During the year, attracting, retaining and developing our people is a major driver to our business strategy. I thank them for their drive, commitment and resilience at work, which has enabled us to achieve the results we are presenting before you today.

As part of our sustainability strategy, manpower development, training and mentorship scheme were taken to a whole new level to meet our succession planning goals. This will see to the attraction and retention of a qualified and skilled workforce in the company.

Employee Health, Safety remained a significant item in 2017. I am happy to report that there was a major improvement in our workplace safety practices, entrenched through the daily Toolbox Talks which touches on every aspect of HSE and all staff involvement. We continue to take a proactive approach against life-threatening epidemics such as HIV and AIDS, amongst others through preventive Medicare and lifestyle changes awareness sessions.

**FUTURE OUTLOOK**

Our focus for the future remains leveraging on our strengths to maximize every opportunity to generate sales, increase our market share and create sustainable value for all stakeholders.

Though the business terrain remains very challenging, we remain resilient in the face of the situation and are focused on increasing our market share and customer base, as well as the creation of sustainable value for our stakeholders. Our priority in the current year is the achievement of our Sugar for Nigeria Project goals, and sustenance of our leadership position by improving efficiency and growing our markets.

Ladies and Gentlemen, I thank you all for the confidence and support you have placed in the Board and Management, especially our customers. I say a big thank you for choosing Dangote Sugar, and your continued partnership.

My sincere appreciation also goes to the Board for their purposeful leadership and unrelenting commitment to the achievement of the Sugar for Nigeria Project goals.

To my colleagues on Management and our staff, I appreciate all your hard work and commitment in ensuring a successful business year. The excellent results we recorded in 2017 could not have been achieved without your dedication and resilience. We are counting on your commitment to sustain and build on our successes in the face of increasing business challenges, in the current year and beyond.

Thank you

**ENGR. ABDULLAHI SULE**
**Ag. Group Managing Director**
**FRC 2013/NSE/00000002065**

**June 2018**

Land preparation activities @ Tunga Sugar Project Site

## Financial Highlights

| | Group 2017 | Group 2016 |
|---|---|---|
| Revenue | ₦204.4b | ₦169.7b |
| EBITDA | ₦51.4b | ₦24.1b |
| EBITDA (%) | 25% | 14% |
| Operating profit | ₦43.9b | ₦16.8b |
| Profit Before Tax | ₦53.6b | ₦19.6b |
| Profit After Tax | ₦39.8b | ₦14.4b |
| EPS – Naira | 3.31 | 1.20 |
| Total assets | ₦195.1b | ₦172.2b |

**Etim Bassey**
Ag. Chief Financial Officer

Early in 2017, the Nigerian economic contraction experienced in 2016 started easing and showed signs of economic recovery which continued all through the remaining part of year. The economy during the year under review witnessed certain positive changes which greatly impacted on the company's operations and consequently its performance.

Essentially, there was improved liquidity in foreign exchange market following the introduction of Investors' and Exporters' (I&E) Window by the Central Bank of Nigeria (CBN). The boost in forex was further enhanced by relative stability and increase in the global price of crude oil. There was also stability in gas supply for the latter parts of the second half of the year.

These, however, are not to suggest that there were no challenges during the year as the company on the other hand suffered certain setbacks from the Apapa traffic gridlock which significantly impeded deliveries and curtailed production; influx of unlicensed sugar leading to loss of market share; just to mention a few.

Nevertheless, the company made an impressive performance for the year showing improvements almost on all sides as summarized below:

- Group Revenue increased by 20%
- EBITDA increased by 113%
- PBT increased by 173%
- Seasonal sugar production at savannah increased to 17,259mt (2016 - 17,122mt )
- Full year refinery production at Apapa decreased to 654,723mt (2016 - 17,122mt)
- Group Sugar sales volumes decreased to 657,775mt (2016 - 778,518mt)

### Revenue

The increase in Total Revenue was principally a factor of price. Average selling price per 50kg bag for the year was ₦15,636 and ₦10,899 for 2016. The upward price movement which started in 2016 induced by cost got stabilized in the year under review as sugar selling price became essentially market forces driven in 2017.

### Cost

Cost of raw sugar during the year rose to its peak in the 3rd quarter and started declining thereafter by more than 20% at the end of the year, a situation which resulted in overall increase in cost of material for the full year. However, the effect of the increase was partly cushioned by the stability and availability of foreign exchange.

The price of gas was increased marginally from $7.38/mscf to $7.45/mscf at the begining of the year. The price increase combined with the instability in gas supply experienced in the first 3 quarters of the year pushed up the overall energy cost which explains the spike in Direct Overheads; energy cost is a major cost component in this expense head.

The combination of the above mentioned factors resulted in a ₦27.3 billion increase in EBITDA, representing a 113% increase compared to 2016

**Cashflow**

The Group continued to ensure that its liquidity and working capital were optimally managed leading to spike in short term fixed deposit. It improved its liquidity position from ₦35 billion to ₦41.4 billion. Idle funds which were placed on short term fixed deposit in line with the Company's liquidity management policy earned the entity investment income of ₦3.3 billion against ₦0.6 billion realized in 2016. This represent an increase of 450% despite the huge capital outflow in funding of its Backward Integration Projects which to date has been almost 100% funded from the company's operations cash inflow.

In addition to the sum above, the company at the balance sheet date also has ₦13.8 billion with the CBN being deposits for Letters of Credit, for settlement foreign trade creditors at maturity. This amount is classified as other financial assets in the Statement of Financial Position.

The Group reiterates that it would continue to ensure that its liquidity and working capital are optimally managed.

**Stability and Growth**

The current ratio of the Group improved from 1.1:1 in 2016 to 1.5:1 in the current year and the solvency ratio is maintained at 2. These attest to the short-term and long-term stability of the Group. Combining these with the outcome of Directors assessment of the Group's and the company's ability to continue as a going concern, strengthen the believe that the Group will remain a going concern.

**Proposed Dividend**

The Board has recommended a final dividend of ₦1.25 per ordinary share translating to the total sum of ₦15 billion besides a payout of ₦6 billion made as interim dividend declared during the year bringing total dividend payable for the year ended 31st December 2017 to ₦21 billion. The final dividend of ₦1.25 per ordinary share recommended by the board is subject to approval at the 12th Annual General Meeting.

**Etim A. Bassey**
**Ag. Chief Finance Officer**
**FRC /2013/ICAN/00000001942**

**March, 2018**

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DANGOTE SUGAR

KPMG

# SEEN SOMETHING?
# Say Something!

Join the fight to sanitize our workplace of unethical behaviors and any form of misconduct

**WHISTLEBLOWING**

**HOTLINE:**

[illegible]

MTN: 07030000026 | 07030000027*
Airtel: 08088228888 | 07080601222*
Etisalat: 08099936366*
Globacom: 07058890140*

E-mail: [illegible]
Weblink: [illegible]

*Safe Confidential Anonymous

# Corporate Governance

Dear Shareholders,

Dangote Sugar Refinery Plc. is committed to maintaining the highest standards of Corporate Governance in the Company. Its business is conducted in compliance with relevant laws and regulations and in line with global best practices. Consequently, the Company regularly reappraises its processes to ensure that it's business conforms to best practice always.

The Board of Directors of Dangote Sugar Refinery Plc. (DSR) is pleased to report that during the year ended December 31, 2017, the Company complied with the principles and guidelines of its Corporate Governance Code and the Securities and Exchange Commission Code of Corporate Governance for Public Companies ("the SEC Code").

The Board remains committed to DSR values and pledge to safeguard and increase the value of our Company by wholesome Corporate Governance practices by ensuring continuous compliance with all legal and regulatory requirements and global best practices, to remain a pace setter in good Corporate Governance practices.

In furtherance of the Board's commitment to best practice in Corporate Governance, the Directors participated in the Fiduciary Awareness Certification Test (FACT) of the Corporate Governance Rating System (CGRS) introduced by the Nigerian Stock Exchange and The Convention On Business Integrity, and all the Directors passed the Test and were certified.

The Board of Directors is accountable to shareholders for creating and delivering sustainable value through the management of the Company. To this end, the Board of Directors has put in place mechanisms that assist it to review, on a regular basis, the operations of the Company to ensure that business is conducted in accordance with good Corporate Governance and global best practices.

The Company produces a comprehensive Annual Report and Financial Statements in compliance with the Companies and Allied Matters Act. Risk based internal control procedures were established to ensure that the documents disclose the business and provide detailed audited Financial Statements in accordance with the relevant Accounting Standards and Regulations.

Our Shareholders are encouraged to embrace the e-Dividend in all its ramifications. This is consistent with the Dangote Sugar Refinery Plc. overall business strategy and Shareholder value creation. This is to enable the Company to pay the Dividends due to Shareholders through direct credit of their chosen bank accounts immediately after they are declared. Consequently, we have requested all Shareholders to complete the detachable form in the Annual Report, to provide our Registrars, Veritas Registrars Limited, with their bank and other details.

**BOARD OF DIRECTORS**

The Board is made up of a non-executive Chairman, the Acting Group Managing Director and seven non-executive Directors, four of whom are Independent Directors. The Board has the overall responsibility for setting the strategic direction of the Company, and ensuring that the Company is appropriately managed towards the achievement of the Company's strategic objectives.

**RESPONSIBILITIES OF THE BOARD**

The Board ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

The Board is responsible among others, for:

- the determination and approval of the strategic objectives and policies of the Company to deliver long-term value;
- approval of the Company's medium and short-term plan and its annual operating and capital expenditure budget;
- the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices;
- approval of major changes to the Company's corporate structure and changes relating to the Company's capital structure or its status as a public limited Company;
- recommendation to shareholders of the appointment or removal of Auditors and the remuneration of Auditors;
- the determination of Board structure, size and composition, including appointment and removal of Directors, succession planning for the Board and Senior Management and Board Committee membership;
- assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual Director;
- approval of policies on significant issues, including Enterprise-wide Risk Management, Human Resources, Credit administration, Corporate Governance and Anti – Money laundering, and approval of all matters of importance to the Company, considering their strategic, financial, risk or reputational implications or consequences.

The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of the Company. The Chairman also facilitates the contribution of Directors and promotes effective relationships and open communications between Executive and non-Executive Directors, both inside and outside the Boardroom. The Board has delegated the responsibility for the day-to-day management of the Company to the Acting Group Managing Director, who is supported by executive Management. The Acting Group Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies.

The Board carries out its oversight functions using its various Board Committees whose terms of reference and Charters clearly define their roles, responsibilities in such a way to avoid overlap or duplication of functions. Each Committee is chaired by a non–executive Director, while the Audit Committee is chaired by a representative of the Shareholders.

**MEETINGS OF THE BOARD OF DIRECTORS**

The Board of Directors holds at least four (4) meetings a year, to consider important corporate events and actions such as approval of corporate strategy, annual corporate plan, audited financial statements, review of Internal Risk Management and control systems, performance review; direct the affairs of the Company, its operations, finances and formulate growth strategies. However, it may convene a meeting as business of the Company demands.

**RECORD OF DIRECTORS' MEETING**

In line with the provisions of Section 258(2) of the Companies and Allied Matters Act, Cap. C20 Laws of the Federation of Nigeria, 2004, the record of Directors' attendance at Board meetings is available for inspection at the Annual General Meeting.

**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board delegated some of its responsibilities to standing Committees that consists of Executive and non–Executive Directors. In compliance with the practices of good Corporate Governance, the Chairman of the Board of Directors is not a member of any of these Committees. The Committees are the Governance, Finance and Risk Management and Assurance Committees. The Committees report to the Board of Directors on their activities and recommendations, which are ratified by the full Board, at a subsequent Meeting.

**BOARD FINANCE COMMITTEE**

The Committee is made up of five Directors, with an independent Director as Chairman.

Members of the Committee are:

| | | |
|---|---|---|
| Ms. Bennedikter Molokwu | - | Chair Person |
| Mr. Olakunle Alake | - | Member |
| Engr. Abdullahi Sule | - | Member |
| Alhaji Abdu Dantata | - | Member |
| Ms. Maryam Bashir | - | Member |

**Terms of reference: -**

- Review and recommend for approval by the Board, the financial and business plan of the Company as well as its quarterly and annual operating and capital budgets and forecasts revisions thereto, proposed by Management.
- Ensure the completeness and accuracy of Financial Statements – quarterly, half year and annual accounts, make reports and recommendations to the Board, and oversee the proper disclosure of its financial information.
- Review the capital appropriation plans of the Company and provide advice and guidance on the authorization limits established by the Board.
- Review the Company's financial policies, capital structure, matters affecting the capital like mergers and acquisitions, divestments and acquisitions, loan repayments, guarantees, assumptions of debt, foreign currency transactions and major disposals not in the ordinary course of its business or that of its subsidiaries.
- Periodically review investment and operation performance plans, make recommendations regarding the financial, accounting, actuarial and investment policies, practices and guidelines, tax planning and compliance programmes and provide guidance and advisory recommendations.
- Develop alternative strategies to improve funding and ensure a balance between strategic priorities and resource availability.
- Appraise major equity or other investments, any share repurchases, plans or disposals of shareholding interests of more than 5% or take-over action, participation in joint ventures, partnerships or similar initiatives and make recommendations to the Board.

- Annually review the Company's Dividend policy and make recommendations to the Board on the dividend to be declared.

- Review of summaries of certain contractual obligations prepared by Management, including certain human resources, business process, outsourcing contracts and certain consulting contracts.

- Periodically review major banking, investment advisors, subsidiaries, customer and competitor activities and the impact of the Company's actions on those relationships.

- Review with Management and the Board Governance Committee the Company's retirement strategy, gratuity, defined benefit and contributions plans and make recommendations performance and funding of the plan assets.

**BOARD GOVERNANCE COMMITTEE**

The Committee is comprised of three Directors, chaired by an independent Director.

Members of the Committee are:

| | | |
|---|---|---|
| Dr. Konyinsola Ajayi, SAN | - | Chairman |
| Ms. Maryam Bashir | - | Member |
| Mr. Uzoma Nwankwo | - | Member |

**Terms of reference:**

- Review the Board structure, size, the required mix of skills, experience and other qualities of the Directors to assess the effectiveness of the Board, its Committees and the contribution of each Director, and recommend to the Board on any adjustments deemed necessary.

- Recommend to the Board on the appointment of new Executive and non-Executive Directors, including alternate Directors, to ensure that a balance exists between Executive and non-Executive Directors.

- Establish the general human resources policies, including the retirement age, the exit criteria, retirement and termination payments and benefits for Executive and non-Executive Directors and key officers, and review and propose necessary changes of the policies.

- Ensure that a fair and competitive Remuneration Policy which defines the criteria and mechanism for determining levels of remuneration and the frequency for review of such criteria and mechanism is in place. The policy defines a process for the determination of Executive and non-Executive compensation, as well as providing to what extent Executive Directors rewards should be linked to corporate and individual performance.

- Conduct periodic reviews of the organogram, size, composition, effectiveness of the senior Management and the human resources policies of the organisation for the Executive Directors and key officers against current industry practice and emplace professional Executive recruitment publications for DSR Plc., thereby creating a clear understanding of the different methods of recruiting, training, motivating, retaining and remunerating Executive Directors and key officers.

- Determine and recommend the criteria

necessary to measure the performance of Directors and the Senior Executives and the Directors in discharging their functions and responsibilities, including setting performance bonuses or incentives.

- Ensure that performance evaluation or appraisal are conducted internally by the Board Governance Committee, and at least once in three years by an external Consultant.

- Ensure that a duly approved Trust Deed governs the policy and administration of the Employee Shares Ownership or Incentive Scheme and to recommend acceptable changes to the policy or other developments to the Board.

- Put in place in collaboration with the Company Secretary, induction and continuing education programmes for the Directors, to keep the skills required on the Board at its optimum level and to ensure that Corporate Governance training permeates the organisation.

- Provide the policy and framework for compliance with laws, regulations and principles of Corporate Governance and to provide the mechanisms for periodic assessment of compliance, including compliance by significant vendors and consultants.

- Monitor changes and proposed changes in laws, regulations and rules affecting the organisation and obtain regular updates from the Legal Counsel or Company Secretary regarding compliance matters.

- Communicate with the Board regarding the organisation's policy on ethics, code of conduct and fraud policy as it relates to internal control, financial reporting activities and all disclosures and related party transactions.

- Put in place a mechanism, whereby the findings of any inspections by regulatory agencies and Auditor observations, including investigations of standards, hazards, compliance, misconduct or fraud are considered and acted upon.

**BOARD RISK MANAGEMENT AND ASSURANCE COMMITTEE**

The Committee comprises of six Directors and the Members are:

| | | |
|---|---|---|
| Mr. Uzoma Nwankwo | - | Chairman |
| Engr. Abdullahi Sule | - | Member |
| Ms. Bennedikter Molokwu | - | Member |
| Dr. Konyinsola Ajayi, SAN | - | Member |
| Mr. Olakunle Alake | - | Member |
| Ms. Maryam Bashir | - | Member |

**Terms of reference: -**

The Committee has oversight responsibility for the overall risk assessment of the various areas of the Company's operations and compliance. Consequently, it receives reports from Management concerning the Company's Risk Management principles, policies, processes and practices for its review and report to the Board that:

- Adequate systems are in place for the effective identification and assessment of all areas of potential material business risk;

- Adequate policies, processes and procedures have been designed and implemented to manage identified material risks;

- Appropriate action is taken to bring the identified material risks within the Company's risk tolerance levels.

Actions the Committee will undertake to fulfill its duties and responsibilities, include the following:

- Ensure the design and implementation of the Risk Management framework and internal control systems, in conjunction with existing business processes and systems, to manage the Company's material business risk exposures;

- Monitor the risk profile of the Company against the agreed Company risk appetite and Risk Management framework;

- Ensure the establishment of processes and procedures for the monitoring and evaluation of the Company's Risk Management systems to assess the effectiveness of those systems in minimizing material risks that may impact adversely on the business objectives of the Company;

- Establish reporting guidelines for Management to report to the Committee on the effectiveness of the management of the Company's material business risk exposures;

- Evaluate the adequacy and effectiveness of the Company's Risk Management systems by reviewing the Company's risk registers;

- Review and recommend on the strategic direction, objectives and effectiveness of the Company's Risk Management policies;

- Receive reports from Management concerning the implications of new and emerging risks, legislative or regulatory initiatives and changes, organizational change and major initiatives, to assess and evaluate the potential impact on the strategy and business objectives of the Company.

**WHISTLE BLOWER ADMINISTRATION**

The Board of Directors on the recommendation of the Board Risk Management and Assurance Committee approved the provision of an appropriate confidential framework and mechanism for whistle-blowers to provide information on potentially illegal, fraudulent reporting or breaches of internal control. This mechanism has been very helpful in identifying areas of internal control breaches within the Company. This can be found on the Company's website.

**Terms of reference**

- Ensure the creation and maintenance of an appropriate whistle-blower mechanism and framework for the reporting of financial statement fraud and other fraud and inappropriate or improper activities which is sufficiently discrete and secure with assurances of the highest confidentiality and protection for matters raised in good faith;

- Exercise the power to carry out any special investigation that may become necessary;

- Retain independent counsel, accountants, or other specialists as it may deem necessary to advise the Committee or assist in the conduct of an investigation;

- Report the summary of reported cases to the Board, issues raised or received and reviewed by the Committee, the process and results of any investigation, problems encountered together with its recommended causes of action.

**AUDIT COMMITTEE**

The Audit Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. The Audit Committee is made up six (6) members, three (3) members representing the Shareholders elected at the Annual General Meeting, and three (3) non-executive Directors. In compliance with the requirement of Corporate Governance practice, a representative of the Shareholders chairs the Committee.

Members of the Committee are –

- Mr. Segun Olusanya
  Chairman/Shareholder Representative
- Hadjia Muheebat Dankaka, OON
  Shareholder Representative
- Mallam Dahiru Ado
  Shareholder Representative
- Ms. Bennedikter Molokwu
  Non-Executive Director
- Mr. Olakunle Alake
  Non-Executive Director
- Dr. Konyinsola Ajayi, SAN
  Non-Executive Director

**Terms of reference: -**

- Evaluate the Company's interim and annual Financial Statements for reasonableness, completeness and accuracy and consistency with information known to Committee members and appropriate accounting policies and principles, prior to issue and approval by the Board and, with the internal and external Auditors' review the integrity of the Company's financial reporting process;
- Review significant accounting and reporting issues including complex or unusual transactions, proposed adjustments and areas of judgement involved in the compilation of the Company's results under accounting standards or IFRS as well as recent professional and regulatory pronouncements especially their impact on the Financial Statements;
- Review with Management, the internal Auditors and the external Auditors the results of the audit including resolving any difficulties that were encountered adjustments and assessing any improved reporting suggestions proposed by them;
- Review with the General Counsel the status of legal matters that may influence the Financial Statements and ensure that the Financial Statements reflect appropriate accounting principles;
- Review annual and interim Financial Statements prior to filing with regulators to ensure that the statements by Management concerning their responsibility for the assessment of the effectiveness of the internal control structure and the procedures for financial reporting are correct.

**ATTENDANCE OF MEETINGS BY MEMBERS OF DSR PLC. BOARD OF DIRECTORS/BOARD COMMITTEES FROM JANUARY 1ST TO DECEMBER 31ST, 2017.**

**BOARD OF DIRECTORS MEETINGS**

| DIRECTORS | ATTENDANCE | | | | | |
|---|---|---|---|---|---|---|
| | JAN. 30 | MARCH 16 | APRIL 27 | JULY 27 | OCT. 24 | DEC. 12/13 |
| ALHAJI ALIKO DANGOTE, GCON | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ALHAJI SANI DANGOTE | ✓ | A | ✓ | ✓ | ✓ | ✓ |
| MR. OLAKUNLE ALAKE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ENGR. ABDULLAHI SULE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ALHAJI ABDU DANTATA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| MS. BENNEDIKTER MOLOKWU | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| MS. MARYAM BASHIR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| DR. KONYINSOLA AJAYI, SAN | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| MR. UZOMA NWANKWO | ✓ | ✓ | ✓ | ✓ | A | ✓ |

**BOARD FINANCE COMMITTEE MEETINGS**

| DIRECTORS | ATTENDANCE | | | | |
|---|---|---|---|---|---|
| | JAN. 24 | MARCH 10 | APRIL 24 | JULY 24 | OCT. 23 |
| MS. BENNEDIKTER MOLOKWU | ✓ | ✓ | ✓ | ✓ | ✓ |
| MR. OLAKUNLE ALAKE | ✓ | ✓ | ✓ | ✓ | ✓ |
| ENGR. ABDULLAHI SULE | ✓ | ✓ | ✓ | ✓ | ✓ |
| ALHAJI ABDU DANTATA | ✓ | ✓ | ✓ | ✓ | ✓ |
| MS. MARYAM BASHIR | A | ✓ | ✓ | ✓ | ✓ |

### BOARD RISK MANAGEMENT & ASSURANCE COMMITTEE MEETINGS

| DIRECTORS | ATTENDANCE | | |
|---|---|---|---|
| | JAN. 23 | APRIL 24 | OCT. 20 |
| MR. UZOMA NWANKWO | ✓ | ✓ | ✓ |
| MR. OLAKUNLE ALAKE | ✓ | ✓ | ✓ |
| MS. BENNEDIKTER MOLOKWU | ✓ | ✓ | ✓ |
| DR. KONYINSOLA AJAYI, SAN | ✓ | ✓ | ✓ |
| MS. MARYAM BASHIR | ✓ | ✓ | ✓ |
| ENGR. ABDULLAHI SULE | ✓ | ✓ | ✓ |

### BOARD GOVERNANCE COMMITTEE MEETINGS

| DIRECTORS | ATTENDANCE | | |
|---|---|---|---|
| | JAN. 23 | JUNE 13 | OCT. 23 |
| DR. KONYINSOLA AJAYI, SAN | ✓ | ✓ | ✓ |
| MS. MARYAM BASHIR | ✓ | ✓ | ✓ |
| MR. UZOMA NWANKWO | ✓ | ✓ | A |

### BOARD AUDIT COMMITTEE MEETINGS

| DIRECTORS | ATTENDANCE | |
|---|---|---|
| | MARCH 17 | OCT. 13 |
| MR. SEGUN OLUSANYA | A | ✓ |
| MR. OLAKUNLE ALAKE | A | ✓ |
| MS. BENNEDIKTER MOLOKWU | ✓ | ✓ |
| DR. KONYINSOLA AJAYI, SAN | ✓ | ✓ |
| HADJIA MUHEEBAT DANKAKA, OON | ✓ | ✓ |
| MALLAM DAHIRU ADO | ✓ | ✓ |

**NOTE**

✓ : Present
A : Apology
R : Resigned

**SECURITIES TRADING POLICY**

In compliance with the provisions of Section 14 of the Amended Listing Rules of the Nigerian Stock Exchange, 2014, the Directors and Employees of the Company, their immediate families, that is spouse, son, daughter, mother or father, and other insiders as defined under Section 315 of Investments and Securities Act, (ISA) and Rule 110 (3) of the SEC Rules and Regulations, are prohibited from buying or selling shares of the Company during the period stated below, in order to avoid occurrence of insider trading of the stocks of the Company, as defined under the Investments and Securities Act, 2007.

Consequently, and in accordance with Section 14.4 of the same Rules, compliance of the Rules by the Employees and Directors of the Company, will be disclosed in the Company's unaudited quarterly Financial Statements and the Audited Financial Statements.

**Closed Period**

The closed period shall be at the time of:

a. Declaration of Financial results (quarterly, half-yearly and annually);
b. Declaration of Dividends (interim and final);
c. Issue of Securities by way of Public Offer or Rights or Bonus Issues, etc;
d. Any major expansion plans or winning of bid or execution of new projects;
e. Amalgamation, Mergers, Takeovers and buy-back;
f. Disposal of the whole or a substantial part of the undertaking;
g. Any changes in policies, plans or operations of the Company that are likely; to materially affect the prices of the Securities of the Company; h. Disruption of operations due to natural calamities;
I. Litigation/Dispute with a material impact;
j. Any information which, if disclosed, in the opinion of the person disclosing the same is likely to materially affect the prices of the Securities of the Company.

**Period of Closure**

The period of Closure shall be effective 15 (Fifteen days) prior to the date of any meeting of the Board of Directors proposed to be held to consider any of the matters referred to above or the date of circulation of Agenda papers pertaining to any of the matters referred to above, whichever is earlier, up to 24 hours after the sensitive information is submitted to The Stock Exchange Commission. The trading window shall thereafter be opened.

Employees and Directors should inform the Company Secretary in writing of their dealings with the Company's shares on quarterly basis, on or before two weeks to the end of the quarter; and confirm that they complied with the Company's Securities Trading Policy.

**COMPLAINT MANAGEMENT POLICY**

**1. Introduction**

This Complaint Management Policy ("the Policy") has been prepared by Dangote Sugar Refinery Plc. ("the Company") pursuant to the requirements of the Securities & Exchange Commission's Rules relating to the Complaints Management Framework of the Nigerian Capital Market ("SEC Rules") issued on 16th February, 2015 and The Nigerian Stock Exchange Directive (NSE/LARD/LRD/CIR6/15/04/22) to all Listed Companies ("the NSE Directive") issued on 22nd April, 2015.

This Policy is to address complaints arising out of issues under the purview of the Investments and Securities Act 2007 (ISA), the Rules and Regulations made pursuant to the ISA, The Rules and Regulations of Securities Exchanges and guidelines of recognized trade associations. Also, this Policy has been prepared in recognition of the need to promote and facilitate increased Shareholder/Investor confidence in the Company, through the prompt and effective management of complaints.

The Policy outlines the wide-ranging structure by which the Company and its Registrars will provide assistance regarding shareholder issues and concerns. It also provides the opportunity for the Company's shareholders to provide feedback to the Company on matters that affect them.

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

**2. Aim of the Policy**

This Policy is designed to ensure that complaints and enquiries from the Company's shareholders are managed in an impartial, efficient and timely manner.

**3. Responsibilities of the Company**

The Company is dedicated to ensuring that it anticipates, handles and resolves all complaints by its shareholders, through the following means:

a. By ensuring that shareholder related matters are duly acknowledged and addressed;
b. By providing an effective platform for efficient and fair investigation of shareholder complaints and enquiries;
c. By ensuring that there are sufficient processes deployed to ensure that shareholders' complaints and enquiries are dealt with promptly and adequately;
d. By establishing a transparent and efficient means of access to shareholder information;
e. By facilitating efficient and easy access to shareholder information.

4. Procedure for Shareholder Complaints Management Shareholders can make complaints or enquires and access relevant information about their shareholdings in the following manner:

**i. The Registrars:**

a. Shareholders who wish to make a complaint or enquiry shall, in the first instance, contact the Registrar (contact details of the Registrars are set out in Section 9 of this Policy). The Registrars shall manage all the registered information relating to all shareholdings, including shareholder name(s), shareholder address and dividend payment instructions amongst others.
b. Upon receipt of a complaint or an enquiry, the Registrars shall immediately provide the relevant details of such complaint or enquiry to the Company for monitoring, record keeping and reporting purposes.
c. In resolving complaints or enquiries, the Registrars shall be guided by Section 5 (Shareholder Complaint Management) of this Policy.

**ii. The Company Secretary:**

Where the Registrars are unable to satisfactorily address shareholder's enquiries and resolve his/her complaint, the shareholder should contact the office of the Company Secretary (contact details of the Company Secretary is set out in Section 10 of this Policy).

**5. Shareholder Complaint Management**

For the making and resolution of complaints and enquiries, the Registrars and the Company shall be guided by the following:

a. All complaints filed shall contain material facts and supporting documents establishing claim.

b. All complaints must contain the following information:

i. the name of the complainant;

ii. full address; iii. mobile number; iv. email address; v. signature of the complainant; and

vi. date of the complaint.

c. All complaints or enquiries received by email shall be acknowledged within two (2) working days of receipt.

d. All complaints or enquiries received by post shall be acknowledged within five (5) working days of receipt.

e. All complaints or enquiries shall be resolved within ten (10) working days from the date of receipt of the complaint or enquiry.

f. The Nigerian Stock Exchange (NSE) shall be notified, within two (2) working days, of the resolution of a complaint or enquiry.

g. Where a complaint/ enquiry cannot be resolved within the stipulated time frame set out above, the shareholder shall be notified about the delay. PLEASE NOTE that delays may be experienced in some situations, including where documents need to be retrieved from storage.

h. Where a complaint cannot be resolved within the stipulated period, the Shareholder may refer the complaint to NSE within two (2) working days of being informed of the delay. The letter of referral shall be accompanied by a summary of the proceedings of events leading to the referral and copies of the relevant supporting documents.

i. Upon resolution of the complaint or enquiry, a response shall be forwarded to the complainant through the same medium by which the complaint or enquiry was received (whether by email, post or fax), unless otherwise notified to or agreed with the shareholder.

**6. Electronic Complaints Register**

The Company shall maintain an Electronic Complaints Register. The Electronic Complaints Register shall include the following information:

- The Shareholder/Complainant's information (including name, full address, mobile number, e-mail address and signature);
- The date of receipt of the enquiry or complaint;
- The Nature and Details of the enquiry or complaint;
- The Status update and action(s) taken in respect of the complaint;
- Date of the Resolution of the complaint;
- Any additional remarks or comments.

**7. Quarterly Reporting**

The Company shall provide information on the details, action taken and current status of complaints to the Securities and Exchange Commission and The Nigerian Stock Exchange on a quarterly basis.

**8. Liaison with the Registrars**

During the investigation of a shareholder's enquiry, complaint or feedback, the Company may liaise with the Registrars, and the engagement with the Registrars will include:

- Determining the facts;
- Determining what action has been undertaken by the Registrars (if any);
- Coordinating a response with the assistance of the Registrars.

**9. Contact Details of the Registrars**

The Registrars may be contacted as follows:
Veritas Registrars
Plot 89A, Ajose Adeogun Street
P.O. Box 75315 Victoria Island Extension
Lagos, Nigeria
Telephone: +234-1-2708930-4, 2784167-8
E-mail: enquiry@veritasregistrars.com
Website: www.veritasregistrars.com

**10. Contact Details of the Company Secretary**

Shareholders seeking to escalate unresolved complaints are invited to contact the Company Secretary as follows:

Office of the Company Secretary,
Dangote Sugar Refinery Plc.
3rd Floor, Greenview Development Nigeria Ltd Building,
Terminal "E" Apapa Port Complex.
Lagos, Nigeria.
Telephone: +234 807 049 0002
E-mail: mydsr.shares@dangote.com
Website: www.dangotesugar.com.ng

**11. Shareholder Access to this Policy**

Shareholders will have access to this Policy through the following media:

- The Policy shall be available on the Company's website: www.dangotesugar.com.ng
- A copy of the Policy may be requested by contacting the Office of the Company Secretary.
- The Policy shall be made available for perusal at General Meetings of the Company.

**12. Fees and Charges**

Wherever possible, and subject to statutory requirements, the Company shall not charge shareholders for making enquiries, giving feedback, providing a response or for any aspect in resolving a shareholder's matter.

**PLEASE NOTE** that in certain circumstances, the Registrars may charge shareholders a fee (for example, to resend previous Dividend Statements upon request by the shareholder).

**13. Review of this Policy**

The Company may from time to time review this Policy and the procedures concerning shareholders' enquiries, complaints and feedback. Any changes or subsequent versions of this Policy shall be published on the Company'swebsite (www.dangotesugar.com.ng)

Approved by the Board of the Company on the 28th day of January, 2016.

**Chairman**

**Secretary**

DANGOTE
SUGAR
Satisfied
Customers
Tell Three Friends,
Angry
Customers
Tell 3,000

# The Board of Directors


Engr. Abdullahi Sule
Alhaji Sani Dangote
Alhaji Abdu Dantata
Alh. Aliko Dangote, GCON
Ms. Bennedikter Molokwu

The Directors present their report on the affairs of Dangote Sugar Refinery Plc. (DSR) together with the Audited Financial Statements of the Company for the year ended 31st December, 2017.

In the opinion of the Directors, the state of the Company's affairs is satisfactory, and the Financial Statements presented give a true and fair view of the state of the Company during the financial year under review.

**1. Legal Form**

The Company was incorporated on the 4th of January, 2005 as a Public Limited Liability Company. DSR Plc.'s Shares were listed in The Nigerian Stock Exchange (NSE), on the 18th of March, 2007 and has since being traded on the NSE.

**2. Principal activities**

The Company's principal activity remains the refining of raw sugar into edible sugar and selling the refined sugar, at its 1.44million MT/PA Apapa sugar refinery. The Company has begun its Backward Integration Project (BIP) with a 10-year sugar development plan, to produce 1.5 million MT/PA of sugar from locally grown sugarcane. The project has commenced with its acquisition of Savannah Sugar Company limited (SSCL) at Numan, in Adamawa State, Niger State, Taraba State and other Green Project sites across Nigeria.

| **3. Operating Results** | **₦'Million** |
|---|---|
| Gross Profit | 50,988 |
| Profit Before Income Tax | 53,599 |
| Taxation | 13,815 |
| Profit for the year after taxation | 39,784 |
| Non-controlling interests | 98 |
| Profit attributable to the owners of the Parent Company | 39,686 |

Dangote Sugar Refinery Plc.'s outlook for 2017 and beyond shows confidently, that the Company will continue operational existence for the foreseeable future as at the time when the Consolidated Financial Statements were approved.

**4. Directors Responsibilities**

The Directors are responsible for the preparation of the Financial Statements, which give a true and a fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that period and comply with the provision of the Companies and Allied Matters Act, and the Financial Reporting Council of Nigeria Act.

In doing so, the Directors' responsibilities include ensuring that:

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

**5. Directors and their Interests**

I. The names of all the Directors who held office during the year under review and, are currently in office are as follows:

| | |
|---|---|
| Aliko Dangote, GCON | Chairman |
| Abdullahi Sule | Ag Group Managing Director |
| Sani Dangote | Non-Executive Director |
| Olakunle Alake | Non-Executive Director |
| Bennedikter Molokwu | Non-Executive Director |
| Konyinsola Ajayi, SAN | Non-Executive Director |
| Uzoma Nwankwo | Non-Executive Director |
| Abdu Dantata | Non-Executive Director |
| Maryam Bashir | Non-Executive Director |

The Directors' appear on pages 50 and 51 of this report. As at the last Annual General Meeting, there was no change in the Board Composition of DSR Plc. The appointment of Directors is governed by the Company's Articles of Association, the Board Appointment Policy and the Company Allied Matters Act, CAP 20.

II. In accordance with Article 62(b) & (c) of the Company's Articles of Association, the Directors retiring by rotation are Dr. Konyinsola Ajayi, Alhaji Abdu Dantata and Ms. Bennedikter Molokwu, and being eligible, offer themselves for re-election.

III. No Director has a service contract not determinable within five years.

**Selection of New Directors and Board Membership Criteria**

The Board Governance Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board and its individual members with the objective of having a Board with diverse backgrounds and experience in business, government, education and public service. The Policy for Appointment and removal of Directors and determining Directors' independence forms part of the Directors' Report.

**Familiarisation Programme for Independent Directors (ID)**

All new IDs inducted on the Board are given an orientation. Presentations are made by EDs and senior management, giving an overview of the Company's operations, products, group structure and subsidiaries, Board constitution and guidelines, matters reserved for the Board, and the major risks and risk management strategy.

**6. Directors' Shareholding**

The direct interest of Directors in the issued share capital of the Company as stated in the register of Directors Shareholding and as notified by the Directors, in compliance with Sections 275 and 276 of the Companies and Allied Matters Act (CAMA) and the listing requirements of The Nigerian Stock Exchange is as follows:

**Number of shares held as at:** -

| | **31 ST DEC. - 16** | **31 ST DEC. - 17** |
|---|---|---|
| Aliko Dangote, GCON | 653,095,014 | 653,095,014 |
| Olakunle Alake | 7,194,000 | 7,194,000 |
| Abdullahi Sule | 2,497,987 | 2,497,987 |
| Bennedikter Molokwu | 1,483,400 | 1,483,400 |
| Abdu Dantata | 1,044,000 | 1,044,000 |
| Uzoma Nwankwo | 384,692 | 384,692 |
| Sani Dangote | Nil | Nil |
| Konyinsola Ajayi, SAN | Nil | Nil |
| Maryam Bashir | Nil | Nil |

**7. Directors' interest in contracts**

In compliance with Section 277 of CAMA, all contracts with related parties during the year were conducted at arm's length. Information relating to related parties transactions are contained in Note 35 of the Financial Statements.

**8. Corporate Governance**

The Board at Dangote Sugar Refinery Plc., is committed to achieving sustainable long-term success and ensuring the implementation of best practice in corporate governance principles and implementation within the Company. This commitment, plays an integral part in ensuring consistency and rigour in decision-making to ensure shareholders continue to receive maximized value from their investments.

The Company's business is largely self-regulated, and it prides as leading its peers in the industry and Nigeria in this regard. The Company is committed to conducting business in line with best practice, in accordance with applicable laws and regulations in

Nigeria, the requirements of The Nigeria Stock Exchange and the SEC Code of Corporate Governance for Public Companies in Nigeria.

The Company complied with these Corporate Governance requirements during the year under review as set out below:

**Strategy and Management**

- Input into the development of the long-term objectives and overall commercial strategy for the Company.
- Oversight of the Company's operations.
- Review of performance in the light of the Company's strategy, objectives, business plans and budget and ensuring that any necessary corrective action is taken.
- Extension of the Company's activities into new business or geographic areas.
- Any decision to cease to operate all or any material part of the Company's business.

**Structure and Capital**

- Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans) and share buy backs.
- Major changes to the Company's corporate structure.
- Changes to the Company's Management and control structure.
- Any changes to the Company's listing or its status as a Plc.

**Financial Reporting and Controls**

- Approval of preliminary announcements if interim and final results.
- Approval of the annual report and accounts, including the Corporate Governance statement.
- Approval of the dividend policy.
- Declaration of the interim dividend and recommendation of the final dividend.
- Approval of any significant changes in accounting policies or practices.
- Approval of treasury policies including foreign currency.

**Internal Controls**

Ensuring maintenance of a sound system of Internal Control and Risk Management including:

- Receiving reports from the Finance and Risk Management and Assurance Committee in, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives.
- Undertaking an annual assessment of these processes through the Finance and Risk Management and Assurance Committee and;
- Approving an appropriate statement for inclusion in the report.

**Contracts**

- Major capital projects.
- Contracts which are material strategically due to size, entered by the Company in the ordinary course of business, for example bank borrowings and acquisition or disposals of fixed assets of amounts above the threshold reserved for Executive Directors under the schedule of limits and authorities.
- Major investments including the acquisition or disposal of interest of more than Five (5) percent in the voting shares of any Company or the making of any takeover offer.

**Communication**

- Approval of Resolutions and corresponding documentation to be put forward to Shareholders at a General Meeting.
- Approval of all circulars and listing approval of routine documents such as periodic

circulars about scrip dividend procedures or exercise of conversion rights could be delegated to a Committee.

- Approval of press releases concerning matters decided by the Board.

Board Membership and other Appointment
Changes to the structure, size and composition of the Board, following recommendations from the Board Governance Committee.

Ensuring adequate succession planning for the Board and Senior Management following recommendations from the Board Governance Committee.

- Appointments to the Board, following recommendations by the Board Governance Committee.
- Appointment of Non-Executive Directors including Independent Directors following recommendations by the Board Governance Committee.
- Membership and Chairmanship of Board Committees.
- Continuation in office of Directors at the end of their term of office when they are due to be re-elected by Shareholders at the Annual General Meeting (AGM) or otherwise as appropriate.
- Appointment or removal of the Company Secretary following recommendations by the Board Governance Committee.
- Continuation in office of Non-Executive Directors at any time.
- Appointment, reappointment or removal of the External Auditor to be put to Shareholders for approval, following the recommendation of the Audit and Risk Management and Assurance Committee.
- Appointment to the Boards of subsidiaries.

Remuneration
- Approval of the remuneration of Directors, Company Secretary and other Senior Executives following recommendations by the Board Governance Committee.
- Approval of the remuneration of the Non-Executive Directors, subject to the Articles of Association and Shareholder approval as appropriate following recommendations by the Board Governance Committee.
- The introduction of new share incentives plans or major changes to existing plans, to be put to shareholders for approval following recommendations by the Board of Governance Committee.

**Delegation of Authority**
- The division of responsibilities between the Chairman and the Chief Executive, which should be in writing.
- Approval of terms of reference of Board Committees.
- Receiving reports from Board Committees of their activities.

**Performance Evaluation process**
- The Board Governance Committee oversees a formal evaluation process to assess the composition and performance of the Board, each Committee, and each individual Director on an annual basis.
- The assessment is conducted to ensure the Board, Committees and individual members are effective and productive and to identify opportunities for improvement and skill set needs.
- As part of the process, each member completes a detailed and thorough questionnaire. While results are aggregated and summarized for discussion purposes, individual responses are not attributed to any member and are kept confidential to ensure

honest and candid feedback is received. The Governance and Remuneration Committee reports annually to the full Board on the outcome of its assessment. A Director will not be nominated for re-election unless it is affirmatively determined that he/she is substantially contributing to the overall effectiveness of the Board and the result of the evaluation published against the name of each director in the annual reports.

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

The Company has a code of business which defines the Company's mission within a Corporate Governance framework. The code is applicable to all employees as well as Directors and business partners of the Company in business conduct. In the bid to continue to create awareness on the essence and importance of compliance and ethics to every aspect of the Company's operations and to bring compliance front of the mind, the Company emphasizes on the importance of compliance and has put in measures to ensure that the laid-out procedures are followed always.

**9. Substantial Interest in Shares**

According to the Register of Members on 31st December, 2017, apart from Dangote Industries Limited with 8,122,446,281 ordinary shares of 50k each and Alhaji Aliko Dangote, GCON with 653,095,014 ordinary shares of 50k each, no other shareholder held more than 5% of the issued share capital of the Company.

**10. Fixed Assets**

Movements in fixed assets during the year are shown in Note 16 to the Accounts. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the accounts.

**11. Donations and Charitable Gifts**

Dangote Sugar Refinery Plc. identifies with the causes and aspirations of its operational environment by supporting charitable and worthy causes in the areas of education, health, skills acquisition, poverty alleviation and sports amongst others. During the year under review, the beneficiaries are as follows: -

| S/N | BENEFICIARY | AMOUNT |
|---|---|---|
| 1 | Guyuk Community Development Association Project | 2,000,000.00 |
| 2 | 2017 Road Safety Week | 400,000.00 |
| 3 | Dangote Women Network Book Reading Campaign | 500,000.00 |
| 4 | Support of Tunga Sugar Project, Community Development Initiative | 22,000,000.00 |
| 5 | Nigerian Red Cross Society 2017 Apapa Youth Retreat | 200,000.00 |
| 6 | 2017 Kano State Economic Summit | 10,000,000.00 |
| 7 | Sponsorship of the NSE's Derivatives and Central Counter Party Clearing Training Seminar | 5,000,000.00 |
| 8 | Sponsorship of Lavun, Niger State Community Dev. Project | 20,000,000.00 |
| 9 | Lagos State 2017 World Food Day Celebration | 2,593,000.00 |
| 10 | Committee of Wives of Lagos State Officials (COWLSO) 2017 Women Empowerment Summit | 5,000,000.00 |

| | | |
|---|---|---|
| 11 | Sponsorship of 23rd Nigeria Economic Summit | 20,000,000.00 |
| 12 | 2017 Kaduna Polo Club Tournament | 150,000.00 |
| 13 | Lau Local Govt. Area Musabaqah 2017, Taraba State | 3,000,000.00 |
| 14 | Donation of 6 Trucks to Standards Organization of Nigeria | 107,400,000.00 |
| 15 | Support of NAFDAC's Campaign against sales of substandard goods in the Nigerian Market | 30,000,000.00 |
| 16 | 30th Dala Hard Court Tennis Championships 2017 | 10,000,000.00 |
| 17 | Donation to Support Victims of Communal clash in Saraduna LGA, Taraba State | 50,000,000.00 |
| 18 | Sponsorship of 2017 Kano Trade Fair | 20,000,000.00 |
| 19 | Refurbishment of DSS Kano State Command Vehicles | 5,000,000.00 |
| 20 | Sponsorship of Sports Job Recruitment and Information e-platform | 200,000.00 |
| 21 | Masters in Energy Security in Africa Programme | 15,000,000.00 |
| 22 | Sponsorship of fiesta of flavors by Eventful | 1,000,000.00 |
| 23 | Gloryville School Prize Giving Day | 100,000.00 |
| 24 | Apapa General Hospital, Lagos State | 100,000.00 |
| 24 | UNESCO and Lake Chad Basin Commission Conference on "Saving the Lake Chad to Revitalize the Basin's Ecosystem for Sustainable Livelihood, Security & Development" | 15,000,000.00 |
| | **TOTAL** | **₦344,643,000.00** |

No donation was made to any political party or organization, during the year under review.

**12. Post Balance Sheet Events**

There were no significant events after the Balance Sheet date that could affect the state of affairs of the Company as at 31st December, 2017 and the profit for the year ended on that date.

**13. Company's Distributors**

The Company's products are sold through many distributors across the whole Country.

**14. Suppliers**

The Company obtains its materials at commercial terms from overseas and local suppliers. Amongst its main overseas and local suppliers are Sucres ET Denrees, Wilmar Sugar PTE Ltd., and Dangote Agrosacks, Gaslink Nigeria Ltd, Biochemical Derivatives Nigeria Ltd, Istabaraqim Nigeria Ltd, Bulk Commodities Dubai, FPE UK and Unatrac .

**15. Analysis of Shareholding as at 31st December, 2017**

| Range (Units) | | | No of Holders | Holders % | Units | Units % |
|---|---|---|---|---|---|---|
| 1 | - | 10,000 | 84,536 | 84.71 | 184,733,915 | 1.54 |
| 10,001 | - | 50,000 | 11,896 | 11.92 | 234,686,640 | 2.03 |
| 50,001 | - | 500,000 | 3,013 | 3.02 | 364,585,500 | 3.04 |
| 500,001 | - | 1,000,000 | 139 | 0.14 | 102,711,968 | 0.86 |
| 1,000,001 | - | 10,000,000 | 164 | 0.16 | 459,543,593 | 3.83 |
| 10,000,001 | - | 50,000,000 | 29 | 0.03 | 552,430,102 | 4.60 |
| 50,000,001 | - | 100,000,000 | 6 | 0.01 | 391,298,674 | 3.26 |
| 100,000,001 | - | 500,000,000 | 5 | 0.01 | 925,468,313 | 7.71 |
| 500,000,001 | - | 12,000,000,000 | 2 | 0.00 | 8,775,541,295 | 73.13 |
| | | | **99,790** | **100.00** | **12,000,000,000** | **100.00** |

**16. Human Resources**

a. Employment and Employees

The Company reviews its employment policy in line with the needs of business and maintains a policy of giving fair consideration to the application for employment made. The Company remains an equal opportunities employer, with policies that prohibit discrimination against gender, race, religion or disability to its existing and potential employees. The Company focuses on attracting and retaining outstanding talents, that will add value and ensure that all stipulated high-performance indices are met.

**b. Health, Safety and Environment**

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed regularly. It maintains a high standard of hygiene in all its premises through maintaining bespoke sanitation practices and the regular fumigation exercises, which have been enhanced by the installation of pest and rodent control gadgets. Fire-fighting prevention and drills are carried out periodically, while fire-fighting equipment and alerts have been installed in the offices and plants.

Health, Safety and Environment workshops amongst others are organized for all employees with a broad focus on good housekeeping to ensure a safe working environment. The Company provides fully paid nutritionally balanced meals for staff in the canteen. Regularly, the Company updates its staff on current issues as they relate to diseases including HIV/AIDS, High Blood Pressure and other serious diseases through health talks, health assessments and information sharing.

**c. Employee Training and Development**

The Company places premium on its human capital development for improved efficiency of the business and maintenance of a strategic manpower advantage over competition. During the year under review, the Company invested in the training and development of its workforce through in-house and external training programmes locally and overseas across all job functions. Employees were also encouraged to develop themselves to their full potentials and are carried along on developments in the Company through Quarterly Management briefings and provision of information through the Corporate Communications and Human Resources/Administration departments.

**d. Retirement Benefits**

In line with the provisions of the Pension Reform Act of 2014, the Company operates the uniform contributory pension scheme for all employees, independent of its finances. The scheme is funded by the employees and DSR's contributions of 10% each, of the employee's monthly basic, housing and transport allowances, and remitted monthly to the employee's choice Pension Fund Administrator.

**17. Auditors**

The Auditors, PricewaterhouseCoopers was appointed at the last Annual General Meeting to replace Messrs Akintola Williams Deloitte (Chartered Accountants), in compliance with the provisions of Section 33 of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies in Nigeria. The Auditors have satisfied the relevant corporate rules on their tenure in office and have indicated their willingness to continue in office as Auditors in accordance with Section 357(2) of the Companies and Allied Matters Act. Cap C20 Laws of the Federation of Nigeria, 2004.

**By Order of the Board**

**CHIOMA MADUBUKO (MRS.)**
Company Secretary/Legal Adviser
FRC/2014/NBA/00000007451
3rd Floor, GREENVIEW Development
Nigeria Ltd Building,
Terminal "E" Apapa Port Complex.
Lagos, Nigeria.
Dated this 19th day of March, 2018

# DANGOTE
## SUGAR

# Sustainability Report

**OUR APPROACH TO SUSTAINABILITY**

Dangote Sugar Refinery Plc. sustainability approach is driven by a desire to contribute and impact positively towards the development of the immediate communities we operate in and society at large. These efforts are coordinated by a central group directorate at our parent company, Dangote Industries Limited, who work with the sustainability team in Dangote Sugar Refinery Plc. to ensure that policies and standards are implemented to meet the specific requirements of each business.

This sustainability agenda guides the delivery of our commitments, with focus on promoting Health and Safety within our operations, as well as supporting our commitments to the host communities of our projects.

Dangote Sugar Refinery Plc's Health & Safety, and Social Investment efforts were enhanced with the consolidation of existing and development of our group-wide policies to attain world class performance: zero fatalities and virtually no loss time incidents for employees and contractors within our facilities.

We strive to ensure that our environmental impact are very minimal, and take seriously the health of our consumers by imbibing good manufacturing practices in our production processes.

**OUR PEOPLE**

Dangote Sugar Refinery Plc in keeping with its standard and global best practices remains an equal opportunities employer. Its Human resources objective is to attract, develop and retain a highly skilled and competent team, which is the driving force behind its business.

During the year under review, the Company continued with the implementation of its reviewed organizational development, with talent management, performance management, employee engagement and competitive appraisal systems to motivate our employees. The Human Resources and Manpower Development strategies are aligned with the Company's business objectives and aspirations sustained through intensive training, proper placements and exchange programmes for continued skills and knowledge acquisition.

The process has helped to identify gaps in the reward system and address specific training development needs of employees. During the year under review over 200 employees received various types of trainings in house, locally and outside the country.

The Company's manpower development focus remained to improve the skills and competency levels of the workforce through learning and development interventions. This has helped to prepare the workforce for more challenging roles across relevant competences in the organization. We will continue to build capability and leadership among our people, while attracting some of the best talent in the marketplace.

Throughout the year the Company maintained a harmonious industrial relation with employees. With our ambitious strategy and aspirations to achieve the Dangote Sugar Backward Integration Master Plan, the employees are carried along with developments in the Company. Periodically, employees are briefed on the developments, targets, and expectations by management.

DSR employees' remains critical to the achievement of its corporate goals to sustain our leadership position in the industry. We will continue to upgrade their skills and competences to remain the preferred employer in the Nigerian Food and Beverage industry.

**Health & Safety**

The Company is committed to the implementation and maintenance of Occupational Health & Safety Management Systems that aim at the prevention of occupational injury and ill–health to all people who have access to the organisation's workplace. A strong commitment to continuous improvement is needed for production, sales and delivery of refined granulated white sugar in compliance with relevant legal, statutory and other requirements.

During the year under review, we enhanced our commitment to ensuring zero accidents across our operations, with an improved Health and Safety strategy, with the objective of building and reinforcing a winning safety culture amongst employees.

Efforts were channeled towards the effective management and reduction of our environmental impacts by evaluating our production processes and introduction of various projects to activities to safeguard the environment not just in our processes but from our Procurement and distribution operations.

Our slogan remains: "Safety First. If it is not safe, don't do it."

The Occupational Health & Safety policy is documented, monitored and sustained through adequate communication, supervision and awareness creation to all employees, suppliers and all stakeholders in line with the requirements of the OHSAS 18001:2007 safety system.

Health, Safety and Environmental workshops and training programmes are organised for all employees with a broad focus on continuous improvement to ensure a safe working environment, with minimal risk to their health, as we strive to achieve zero accidents in our operations.

**FOOD SAFETY**

The Dangote Sugar Refinery (DSR) Plc Food Safety Policy ensures that its operations in refining, sales and distribution of granulated white sugar meet statutory, regulatory and consumer food safety requirements, using the most appropriate food grade production facilities under hygienic conditions, whilst also maintaining effective communication with stakeholders on food safety issues.

The Company's Food Safety Policy is supported by measurable objectives that are monitored, maintained and continually reviewed with the objectives:

a. To provide wholesome and nutritious sugar that supports healthy living
b. To achieve 100% compliance with all relevant customers', statutory and regulatory food safety requirements
c. To ensure that all relevant parties in the food production chain are aware of; and comply with the company's food safety requirement.

DSR process is FSSC 22000 (Food Safety System Certification) based certified by SGS. The FSSC 22000 system is based on ISO Standards recognised by the Global Food Safety Initiative (GFSI). The FSSC 22000 integrates with other management systems already achieved by the Company as part of the strategic initiative to meet the teeming needs of its customers; and sustain its frontline position in the Food and Beverage industry in line with internationally accepted practices and standards.

During the year under review, the Food Safety Management System (ISO 22000:2005) and the Food Safety System Certification (ISO 22000:20013) completed the first circle with three consecutive successful surveillance audits which are now due for recertification in the current year.

**OUR APPROACH TO RISK MANAGEMENT**

The Risk Management function of Dangote Sugar Refinery Plc support the Board of Directors, the Executive Committee and Management in identifying, analyzing and controlling DSR overall risk exposure through its bespoke Enterprise Risk Management Framework, which is governed by the Board and driven by a specialist team that takes a formalized approach to risk management across all our operations using well established methodologies and tools.

DSR defines risks as events that portend any consequences of uncertainty in the attainment of its business objectives which can result in an opportunity or threat. The outlook for effective risk management involves proper analysis of DSR's business activities to identify short, medium and long-term risks. Identified risks are then assessed, measured and controlled with close monitoring of the implementation of recommended controls by DSR Risk Management Department. Insurance solutions are instituted as a key method of risk treatment.

The risk landscape of Dangote Sugar Refinery Plc. is derived through risk assessment and deployment of other risk identification tools that cover all strategic, internal and external business activities of the Company. All recommended action plans are duly implemented and monitored by DSR Risk Management Department in conjunction with the Internal Audit Unit.

Risk identified are managed systematically to ensure proper control of all existing and emerging risk to which the Company is exposed. A holistic fit-for-purpose methodology is adopted to ensure all types of risks emanating from the Company's strategic, internal and external activities are captured. For proper analysis, risk incidents are mainly grouped under Business & Strategic Risk, Operational Risk, Financial Risk, Liquidity Risk, Business Continuity Risk and Reputational Risk. Our Risk Appetite statement define the quantum of risk DSR is willing to accept in pursuit of its strategic goals and monitored through the strategic Key Risk Indicators.

| | |
|---|---|
| Conduct Risk Control Self-Assessment<br><br>(DSR and Savannah) | Risk management department conducted RCSA for DSR Apapa and Dantrans for the year of 2017. Inherent risk a ssociated to various work activities were identified and action plan to mitigate the risk were recommended. |
| Implementation of DSR ERM framework including policies, procedure guideline. | During the year under review, the risk management department introduced a procure-to-pay process and guideline. The department also strengthen the control on sales order generation through SAP upgrade. New BG format was also introduced to effectively manage the company's credit exposure and improved Order -2-Cash process. |
| Key risk indicator benchmarking and trend analysis | Strategic key risk indicator was introduced to monitor and report various department risk performance. |

### Year 2017 Risk profile

**Financial risks – Insurance risk**

In 2017, the insurance desk achieved competitive insurance pricing for local and international policies considering the premium savings that was achieved across some of our covers. The achievement of premium savings beyond negotiations with our brokers is a clear reflection of our commitment to constantly improve our risk profile through prompt and effective implementation of recommendations from annual engineering surveys carried out by loss adjusters.

**Credit risk**

Credit Risk exposures are monitored at Business unit and Group levels on an ongoing basis to ensure that non-performing credits are identified promptly and escalated to relevant authorities for prompt regularization. Past-due accounts and other credit risk related infractions are reported to management and the Board with remedial actions proposed for approval. Approved recommendations are tracked for proper implementation and timely closeout. During the year under review, the following actions were implemented:

- Bi-annual evaluation of credit customers using our in-house Risk Assessment Scorecard in conjunction with information from approved credit rating agencies bureau.
- Introduction of Bank Guarantee for Corporate customer reducing DSR uncollateralised exposure.
- Implementation of recommended action plan on reviewed Order-2-Cash process.
- Appointment of debt recovery agent on long outstanding dispute on customer account.
- Offering of flexible conditions for credit sales focused at growth in sales however with fall position entrenched.

The credit risk exposure of Dangote Sugar Refinery Plc. was adjudged a "low risk" as the past-due obligation comprised 13% of total exposure. Efforts to ensure prompt regularization of past-due are ongoing. No major credit risk threat is envisaged, as about only 4% of total exposure is over 90days in year 2017.

**Market Risk**

Dangote Sugar Refinery Plc. is exposed to market risk emanating from volatilities in interest rates, commodity prices, price undercuts by competitors, imported sugar and fluctuations in and availability of foreign exchange across various operations. To reduce the adverse impact of these fluctuations, the Company utilises a variety of Financial risk mitigation strategies to ensure its earnings and cash flows are assured in line with our strategic goal.

**Foreign Exchange Risk**

The dearth of foreign exchange continued to be key concern for DSR, considering its import-dependent input materials. We continued to manage this proactively through sound risk management solutions including currency and commodity hedging strategies. Our decision to source for alternate local supply for materials and spares eased the pressure on international procurement of critical spares.

**Non-financial risks**

**Business and Political Risk**

The Nigerian economy remained depressed for the better part of the year and the 2017 budget was not passed until mid-year, which resulted in liquidity squeeze and reduced customer spending. This was a major setback as manufacturing and confectionary companies who uses sugar as a critical raw material sourced for alternate options to sugar to mitigate the increased cost of production. In addition, to the Increased importation of foreign sugar into local market, which was also a key area of concern. All these factors resulted in reduced sales revenue in Q3 and Q4 2017.

Local disturbance in the Niger-Delta area led to disrupted gas supply, resulting in the use of LPFO and increased conversion cost, till the last quarter of the year.

**Operational Risk**
Operational risk is regarded as any activity that would expose the organization to the risk of loss resulting from failed or inadequate people, process, systems and issues stemming from external events that are not directly under the control of Dangote Sugar Refinery Plc. It is further considered as the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationship.

During the year, the key risk identified and managed under this risk category were people risk, process risk, operational inefficiencies, logistics and transportation risk, IT risk and health and safety risks.

Risk assessment were carried out across the organization, with remedial action plans agreed and implementation of controls closely monitored to ensure the operational risk exposures did not exceed the organization's risk appetite and were managed within tolerable levels.

Dangote Sugar Refinery Plc. exposure to operational risk during the year was adjudged a "medium risk". The implementation of remedial actions required to effectively manage some inefficiencies with the implementation of transport management system, data archiving solution, welfare, HSE and review of key operations processes are still ongoing.

Key Risk Indicator (KRI) monitoring is also deployed in managing Dangote Sugar Refinery Plc. exposure to operational risks. KRIs are quantitative parameters defined to provide trends which serve as useful insights and timely leading signals of prevalent and emerging operational risk exposures as it relates to the business activities of the Company. Threshold for monitoring acceptable risk levels are agreed with Senior Management and the Board Risk and Assurance Committee for timely risk identification.

Identified risk trends and mitigation actions were reported on a monthly basis at the Management meetings and the Board Risk and Assurance Committee on a quarterly basis.

**Overall risk landscape**
The overall risk position is determined by evaluating likely impact of current and emerging risks materializing with consideration for risk correlations. For instance, a delinquent credit is usually the outcome of process failures which are tracked and monitored using operational risk management tools.

Comprehensive risk assessments of all operations across the Company are conducted and the outcomes of these risk assessments are reported to all stakeholders including Head of Departments, Senior Management and the Board Risk and Assurance Committee to ensure remedial actions required are communicated and duly implemented.

Dangote Sugar Refinery Plc. current risk profile is shown in the chart below. Operational risk constitute 82% and the highest proportion of DSR's risk exposure because of the high number of process related issues identified. Financial risk accounts for 9% of the Company's current exposure, followed by exogenous factors at 5%. Other risk, such as strategic, industry competitive risk account for the balance of the risks that have been quantified.

For proper monitoring of Dangote Sugar Refinery Plc. risk exposure, the company estimates the 'expected losses' for all key risk identified.

Our focus for 2018 is to continue to pay close attention to our risk management strategy to ensure it is always fit for purpose and realistic to our business model. All risk management tools and methodologies deployed will ensure appropriateness for holistic, effective and efficient risk management organization-wide.

**Internal Audit**

At DSR Plc., the approach to internal audit is centered on an Enterprise Risk Management (ERM) Framework and a Risk-Based Audit Approach, both of which strengthen and complement how we manage risk. This approach provides an assurance that the processes that manage risks to a level considered acceptable by the Board, are working effectively and efficiently, whilst focusing on key processes and controls.

The Board of Directors of DSR Plc. recognizes the importance of internal auditing and has adopted the definition of internal auditing by the Institute of Internal Auditors. Consequently, the Board documented its operating model for carrying out internal audit activities within the Company in an Internal Audit Charter.

The Charter describes the objectives, scope, authority and responsibility of the Internal Audit Function in achieving internal audit objectives within the Company and is adhered to strictly by both the Board Risk Management and Assurance Committee and the Internal Audit Function.

The Internal Audit department across the DSR Plc. Group (DSR and SSCL) has been fully resourced consistent with the agreed manning level as approved by the Board Risk Management and Assurance Committee.

Dangote Sugar Refinery Plc.'s outlook for the future is based on an intentional and entrepreneurial vision for growth, sustainability and value creation. As it continues to grow and expand its business, a more sophisticated and granular methods would be applied in the management of the risks organization-wide.

# Financial Statements

# STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

In accordance with the provisions of the Companies and Allied Matters Act of Nigeria, the Directors are responsible for the preparation of annual financial statements, which give atrue and fair view of the state of affairs of their Company at the end of the financial period and of their profit or loss for the year ended. Their responsibilities among others include ensuring that: -

i. The Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with requirements of the Companies and Allied Matters Act of Nigeria;

ii. Appropriate and adequate internal controls are established to safeguard its assets, prevent and detect fraud and other irregularities;

iii. The Company prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and

iv. It is appropriate for the financial statements to be prepared on a going concern basis

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standard (IFRS) and the requirements of the Companies and Allied Matters Act of Nigeria.

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.

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 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

**SIGNED ON BEHALF OF THE MANAGEMENT OF THE COMPANY**

19th MARCH 2018

19th MARCH 2018

# STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

The Directors of Dangote Sugar Refinery Plc are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group and Company as at 31 December 2017, and the results of its operations, cash flows and changes in equity for the period ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act Cap C20 LFN 2004, the Financial Reporting Council of Nigeria Act 2011.

In preparing the consolidated financial statements, the Directors are responsible for

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

The Directors are responsible for:

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

**Going Concern:**
The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated financial statements of the Group and Company for the year ended 31 December 2017 were approved by Directors on March 19th, 2018.

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

**Alh. Aliko Dangote, GCON**
**Chairman**
**FRC/2013/IODN/0000001766**

**Engr. Abdullahi Sule**
**Ag. Group Managing Director**
**FRC 2013/NSE/00000002065**

# REPORT OF THE AUDIT COMMITTEE
## FOR THE YEAR ENDED DECEMBER 31, 2017

In compliance with Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN, 2004, we have reviewed the consolidated and separate Financial Statements of Dangote Sugar Refinery Plc. for the year ended 31st December, 2017 and hereby state as follows:

i. The scope and planning of the audit were adequate in our opinion;

ii. The accounting and reporting policies of the Company for the year ended 31st December, 2017 conformed with the statutory requirements and agreed ethical practices;

iii. We deliberated with the external Auditors, who confirmed that necessary cooperation was received from Management during their statutory audit and we are satisfied with Management's responses on the Auditors' Memorandum of recommendations, and with the effectiveness of the Company's system of accounting and internal control;

iv. In our opinion, the scope and planning of both the external and internal audits; and the audit for the year ended 31st December, 2017 were satisfactory.

**Mr. Olakunle Alake**
For: Chairman, Audit Committee
FRC/2013/ICAN/0000002214

Dated this 23rd day of March, 2018.

**Members of the Audit Committee are:**
Mr. Olusegun Olusanya - Chairman
Mallam Dahiru Ado
Hadjia Muheebat Dankaka, OON
Mr. Olakunle Alake
Dr. Konyinsola Ajayi, SAN
Ms. Bennedikter Molokwu

# *Independent auditor's report*

To the Members of Dangote Sugar Refinery Plc

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Dangote Sugar Refinery Plc ("the company") and its subsidiary (together "the group") as at 31 December 2017, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

**What we have audited**

Dangote Sugar Refinery Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

**Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### *Key audit matters*

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of biological assets (2.8 billion)***<br>Biological assets comprise growing sugar cane held for harvesting purposes. In accordance with IAS 41, they are valued at fair value less cost to sell. We focused on the valuation of the biological assets due to the materiality of the balance and the effect the fair value estimate has on profit. Furthermore the determination of the fair value estimates are complex and involve a significant amount of judgement.<br><br>The directors have developed a model using the income approach for the valuation of sugarcane. In order to generate a stream of cashflows to be used in this model, the directors calculate tonnage using information on hectares of farm land planted, the age of growing cane per hectare and a yield ratio.<br><br>The cane price is then applied on the tonnage and discounted to arrive at the fair value of the sugar cane. The cane price is determined using a formula recommended by the National Sugar Development Council (NSDC). Cane price is based on the market price of refined sugar and an estimated sugar content of cane adjusted by a recovery rate. Recovery rate is the proportion of standard quality sugar produced by weight of cane processed. NSDC have recommended standard sugar content and recovery rates for regulatory purposes.<br><br>The directors exercise significant judgement in determining the yield ratio, the discount factor and in calculating the cost to sell.<br><br>This matter is considered a key audit matter in the consolidated financial statements.<br><br>See notes 2.2, 3 and 18 to the consolidated and separate financial statements | We adopted a substantive approach to testing this balance by obtaining and performing audit procedures on the directors' valuation of the biological assets. We challenged the Group's model for calculating the fair<br>value of biological assets by assessing the model against the criteria in IAS 41, Agriculture and IFRS 13, Fair value measurement.<br><br>We tested the farm and factory information used in the<br>valuation model (such as the yield ratio, hectare of farm land planted and the age of growing cane per hectare) by comparing with historical information from the farm and factory reports. Furthermore, we challenged information on yield ratio by comparing it against our expectation based on relevant industry data available.<br><br>We checked the determination of cane price by comparing the sugar content of the cane and recovery rate used in the valuation of biological assets to the industry standard rates recommended by the National Sugar Development Council and market price of refined sugar to the current selling price of the refined sugar of the Group.<br><br>We challenged the discount factor by comparing with recent economic trends in the country.<br><br>We assessed the reasonableness of costs to sell by comparing to amounts determined based on current work standard.<br><br>We tested the mathematical accuracy of the valuation model used by the directors. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Recoverability of deferred tax asset (N7.2 billion)***<br>We focused on this area because of the materiality of deferred tax asset and the uncertainty around the directors' judgement in their estimation of the future taxable profit upon which deductible temporary differences or unused tax losses or credits will be applied.<br><br>The matter is considered a key audit matter in the consolidated financial statements.<br>See notes 2.6, 3 and 13 to the consolidated and separate financial statements for further information. | We adopted a substantive approach to testing the recoverability of deferred tax asset balance. We obtained the cash flow projections and forecast taxable profits used to support the directors' recognition of the deferred tax asset.<br>We challenged the taxable profits forecasts and deferred tax utilization computation.<br><br>Specifically we:<br>- tested the taxable profits forecast provided by the directors by challenging the assumptions on the growth rate of taxable and non-taxable transactions income in relation to the historical trends and current business plan; and<br><br>- used our tax specialists to challenge the directors' assessment of the relative useful lives of the components of the deferred tax asset in line with applicable tax laws. This was used to assess the viability of the director's plan for the recoverability of the deferred tax asset. |

### *Other information*

The directors are responsible for the other information. The other information comprises the Directors Report, Corporate Governance Report, Report of the Audit Committee, Ag. Chief Financial Officer's review, Statement of Directors' Responsibilities, Statement of value added and Five Year Financial Summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Chairman's Statement, Ag. Group Managing Director's Report, Approach to Sustainability, Risk management Report and other Operations Review Reports which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Chairman's Statement, Ag. Group Managing Director's Report, Approach to Sustainability, Risk management Report and other Operations Review Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements***

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

***Auditor's responsibilities for the audit of the consolidated and separate financial statements***

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## *Report on other legal and regulatory requirements*

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria


Engagement Partner: Edafe Erhie
FRC/2013/ICAN/0000001143

# CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Note(s) | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 5 | 204,422,379 | 169,724,936 | 198,120,639 | 167,409,161 |
| Cost of sales | 6 | (153,434,285) | (146,736,355) | (145,469,283) | (141,924,887) |
| **Gross profit** | | **50,988,094** | **22,988,581** | **52,651,356** | **25,484,274** |
| Other income | 11 | 401,686 | 707,641 | 196,233 | 622,070 |
| Selling and distribution expenses | 7 | (1,132,154) | (1,272,524) | (1,067,315) | (1,259,946) |
| Administrative expenses | 7 | (6,350,184) | (5,572,334) | (4,766,086) | (4,531,602) |
| **Operating profit** | 14 | **43,907,442** | **16,851,364** | **47,014,188** | **20,314,796** |
| Finance income | 10 | 4,137,194 | – | 4,532,870 | – |
| Finance costs | 10 | (278,436) | (343,190) | (28,332) | (156,745) |
| Finance income/(costs) - net | | **3,858,758** | **(343,190)** | **4,504,538** | **(156,745)** |
| Investment income | 8 | 3,364,257 | 601,473 | 3,364,257 | 601,473 |
| Fair value adjustment | 9 | 2,468,411 | 2,504,787 | – | – |
| **Profit before tax** | | **53,598,868** | **19,614,434** | **54,882,983** | **20,759,524** |
| Taxation | 12.1 | (13,815,263) | (5,218,496) | (17,060,375) | (6,560,831) |
| **Profit for the year** | | **39,783,605** | **14,395,938** | **37,822,608** | **14,198,693** |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 39,685,555 | 14,386,076 | 37,822,608 | 14,198,693 |
| Non-controlling interest | | 98,050 | 9,862 | – | – |
| | | **39,783,605** | **14,395,938** | **37,822,608** | **14,198,693** |
| **Total comprehensive income for the year** | | **39,783,605** | **14,395,938** | **37,822,608** | **14,198,693** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 39,685,555 | 14,386,076 | 37,822,608 | 14,198,693 |
| Non-controlling interest | | 98,050 | 9,862 | – | – |
| | | **39,783,605** | **14,395,938** | **37,822,608** | **14,198,693** |
| **Earnings per share** | | | | | |
| **Per share information** | | | | | |
| Basic earnings per share (Naira) | 15 | **3.31** | **1.20** | **3.15** | **1.18** |
| Diluted earnings per share (Naira) | 15 | **3.31** | **1.20** | **3.15** | **1.18** |

The accompanying notes on pages 85 to 129 and other national disclosures on pages 130 to 133 form an integral part of the consolidated and separate financial statements .

# CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

| | Note(s) | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 16 | 59,413,689 | 54,802,604 | 35,594,866 | 29,591,825 |
| Intangible assets | 17 | 2,564 | 12,753 | 2,564 | 12,753 |
| Other assets | 19 | 3,200 | 53 | 3,200 | 53 |
| Investment in subsidiary | 21 | – | – | 3,214,923 | 3,214,923 |
| Deferred tax assets | 13 | 7,173,178 | 3,928,066 | – | – |
| **Total non-current assets** | | **66,592,631** | **58,743,476** | **38,815,553** | **32,819,554** |
| **Current assets** | | | | | |
| Inventories | 22 | 47,655,561 | 47,409,042 | 44,779,483 | 45,648,975 |
| Biological assets | 18 | 2,806,705 | 3,008,277 | – | – |
| Trade and other receivables | 23 | 20,907,048 | 17,733,887 | 57,882,675 | 54,628,911 |
| Other assets | 19 | 14,882,332 | 9,426,223 | 13,365,653 | 8,759,770 |
| Asset held for sale | 20 | 868,642 | 864,647 | 868,642 | 864,647 |
| Cash and cash equivalents | 24 | 41,367,530 | 34 983,906 | 40,352,658 | 32,872,122 |
| **Total current assets** | | **128,487,818** | **113,425,982** | **157,249,111** | **142,774,425** |
| **Total assets** | | **195,080,449** | **172,169,458** | **196,064,664** | **175,593,979** |
| **EQUITY** | | | | | |
| **Equity Attributable to Equity Holders of Parent** | | | | | |
| Share capital | 25 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Share premium | 25 | 6,320,524 | 6,320,524 | 6,320,524 | 6,320,524 |
| Retained earnings | 26 | 80,577,948 | 54,092,393 | 86,886,834 | 62,264,226 |
| | | **92,898,472** | **66,412,917** | **99,207,358** | **74,584,750** |
| **Non-controlling interest** | 27 | (162,837) | (260,887) | – | – |
| | | **92,735,635** | **66,152,030** | **99,207,358** | **74,584,750** |
| **LIABILITIES** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Deferred tax liabilities | 13 | 5,212,819 | 5,299,480 | 5,212,819 | 5,299,480 |
| Borrowings | 28 | 1,467,068 | 1,467,068 | – | – |
| | | **6,679,887** | **6,766,548** | **5,212,819** | **5,299,480** |
| **Current Liabilities** | | | | | |
| Current tax liabilities | 12.3 | 17,717,419 | 6,600,053 | 17,685,319 | 6,567,952 |
| Borrowings | 28 | 71,091 | – | – | – |
| Employee benefits | 29 | 984,475 | 1,031,024 | 806,782 | 815,532 |
| Trade and other payables | 30 | 75,652,896 | 88,811,329 | 71,913,340 | 85,521,443 |
| Other liabilities | 31 | 1,239,046 | 2,808,474 | 1,239,046 | 2,804,822 |
| **Total current liabilities** | | **95,664,927** | **99,250,880** | **91,644,487** | **95,709,749** |
| **Total liabilities** | | **102,344,814** | **106,017,428** | **96,857,306** | **101,009,229** |
| **Total equity and liabilities** | | **195,080,449** | **172,169,458** | **196,064,664** | **175,593,979** |

The consolidated and separate financial statements on pages 80 to 133, were approved by the board on March 19, 2018 and were signed on its behalf by

**Alh. Aliko Dangote, GCON**
**Chairman**
**FRC/2013/IODN/00000001766**

**Engr. Abdullahi Sule**
**Ag. Chief Executive Officer**
**FRC/2013/NSE/00000002065**

**Etim A. Bassey**
**Ag. Chief Financial Officer**
**FRC/2013/ICAN/00000001942**

The accompanying notes on pages 85 to 129 and other national disclosures on pages 130 to 133 form an integral part of the consolidated and separate financial statements

## CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

| Company | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Balance as at 1 January 2016** | **6,000,000** | **6,320,524** | **54,065,533** | **66,386,057** |
| Profit for the year | – | – | 14,198,693 | 14,198,693 |
| **Total comprehensive income for the year** | – | – | 14,198,693 | 14,198,693 |
| **Transaction with owners:** | | | | |
| Dividend paid | – | – | (6,000,000) | (6,000,000) |
| **Balance as at 31 December 2016** | **6,000,000** | **6,320,524** | **62,264,226** | **74,584,750** |
| Profit for the year | – | – | 37,822,608 | 37,822,608 |
| **Total comprehensive income for the year** | – | – | **37,822,608** | **37,822,608** |
| **Transaction with owners:** | | | | |
| Dividend paid | – | – | (13,200,000) | (13,200,000) |
| **Balance as at 31 December 2017** | **6,000,000** | **6,320,524** | **86,886,834** | **99,207,358** |

# CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY Cont'd

FOR THE YEAR ENDED DECEMBER 31, 2017

| Group | Share Capital ₦'000 | Share Premium ₦'000 | Retained Earnings ₦'000 | Total attributable to owners of parent company ₦'000 | Non-controlling interest ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2016** | **6,000,000** | **6,320,524** | **45,706,317** | **58,026,841** | **(270,749)** | **57,756,092** |
| Profit for the year | – | – | 14,386,076 | 14,386,076 | 9,862 | 14,395,938 |
| **Total comprehensive income for the year** | – | – | **14,386,076** | **14,386,076** | **9,862** | **14,395,938** |
| **Transaction with owners:** | | | | | | |
| Dividend paid | – | – | (6,000,000) | (6,000,000) | – | (6,000,000) |
| **Balance as at 31 December 2016** | **6,000,000** | **6,320,524** | **54,092,393** | **66,412,917** | **(260,887)** | **66,152,030** |
| Profit for the year | – | – | 39,685,555 | 39,685,555 | 98,050 | 39,783,605 |
| **Total comprehensive income for the year** | – | – | **39,685,555** | **39,685,555** | **98,050** | **39,783,605** |
| **Transaction with owners:** | | | | | | |
| Dividend paid | – | – | (13,200,000) | (13,200,000) | – | (13,200,000) |
| **Balance as at 31 December 2017** | **6,000,000** | **6,320,524** | **80,577,948** | **92,898,472** | **(162,837)** | **92,735,635** |

# CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Note(s) | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|---|
| **Cash flows for operating activities** | | | | | |
| Profit before taxation | | **53,598,868** | **19,614,434** | **54,882,983** | **20,759,524** |
| **Adjustments for non-cash income and expenses:** | | | | | |
| Depreciation of property, plant and equipment | 16 | 5,022,650 | 4,659,996 | 3,136,692 | 3,149,141 |
| Amortisation of intangible assets | 17 | 10,189 | 123,818 | 10,189 | 93,751 |
| Capital work in progress written off | 16 | 74,181 | – | – | – |
| (Profit)/loss on sale of assets | 11 | (60) | 40,374 | (60) | 40,374 |
| Interest income | 8 | (3,364,257) | (601,473) | (3,364,257) | (601,473) |
| Finance cost | 10 | 278,436 | 299,020 | – | 112,575 |
| Fair value gain on biological assets | 9 | (2,468,411) | (2,504,787) | – | – |
| **Changes in working capital** | | | | | |
| (Increase)/decrease in inventories | | (246,519) | (31,861,024) | 869,492 | (31,613,587) |
| Decrease in biological assets | | 2,669,981 | 1,382,289 | – | – |
| Increase in trade and other receivables | | (3,173,161) | (3,030,382) | (3,253,764) | (5,564,762) |
| Increase in other assets | | (5,459,256) | (8,252,115) | (4,609,030) | (8,377,104) |
| (Decrease)/increase in other liabilities | | (1,569,428) | 695,592 | (1,565,776) | 692,921 |
| (Decrease)/increase in trade payables | | (13,158,433) | 60,719,820 | (13,608,102) | 60,990,335 |
| Decrease in asset held for sale | | (3,995) | – | (3,995) | – |
| Decrease in employee benefits | | (46,549) | (48,043) | {8,750) | (48,043) |
| **Cash generated from operations** | | **32,164,236** | **41,237,519** | **32,485,622** | **39,633,652** |
| Finance cost paid | | (207,345) | (299,020) | – | (112,575) |
| Tax paid | 12.3 | (6,029,669) | (4,972,091) | (6,029,669) | (4,972,091) |
| **Net cash generated from operating activities** | | **25,927,222** | **35,966,408** | **26,455,953** | **34,548,986** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 16 | (9,749,835) | (3,950,075) | (9,171,196) | (3,101,264) |
| Proceeds on disposal of property, plant and equipment | | 41,980 | 406,145 | 31,522 | 390,634 |
| Interest income received | 8 | 3,364,257 | 601,473 | 3,364,257 | 601,473 |
| **Net cash used in investing activities** | | **(6,343,598)** | **(2,942,457)** | **(5,775,417)** | **(2,109,157)** |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | 26 | (13,200,000) | (6,000,000) | (13,200,000) | (6,000,000) |
| Proceeds from borrowings | 28 | – | 1,467,068 | – | – |
| Repayment of borrowings | 28 | – | (2,500,000) | – | (2,500,000) |
| **Net cash used in financing activities** | | **{13,200,000)** | **{7,032,932)** | **(13,200,000)** | **(8,500,000)** |
| **Net increase in cash and cash equivalents** | | 6,383,624 | 25,991,019 | 7,480,536 | 23,939,829 |
| Cash and cash equivalents at beginning of year | | 34,983,906 | 8,992,887 | 32,872,122 | 8,932,293 |
| **Cash and cash equivalents at end of the year** | 24 | **41,367,530** | **34,983,906** | **40,352,658** | **32,872,122** |

The accompanying notes on pages 85 to 129 and other national disclosures on pages 130 to 133 form an integral part of the consolidated and separate financial statements

## 1 General information

Dangote Sugar Refinery Pie (the Company) was incorporated as a Public Limited Liability company on 4 January 2005, commenced operation on 1 January 2006 and became quoted on the Nigerian Stock Exchange in March 2007. Its current shareholding is 68% by Dangote Industries Limited and 32% by the Nigerian public.

The ultimate controlling party is Dangote Industries Limited.

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

The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the Company and its subsidiary- Savannah Sugar Company Limited.

The separate financial statements for the year ended 31 December 2017 comprise the Company only.

### 1.1 The principal activity

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

### 1.2 Going Concern status

The Group has consistently been making profits. The Directors believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseable future. Thus, these financial statements are prepared on a going concern basis.

### 1.3 Operating environment

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

### 1.4 Financial period

These financial statements cover the financial year from 1 January 2017 to 31 December 2017 with comparatives for the year ended 31 December 2016.

## 2 Significant Accounting Policies

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

### 2.1 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC) of IASB (together "IFRS") that are effective at 31 December 2017 and requirements of the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council (FRC) Act 2011 of Nigeria.

### 2.2 Basis of preparation

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

The principal accounting policies are set out below:

### 2.3 Consolidation of subsidiaries

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Group statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

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

**2.4 Revenue recognition**

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

**Sale of goods**

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

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

Specifically, revenue from the sale of goods is recognised when goods are delivered (or collected, if sold under self collection terms) and legal title is passed. Amount relating to shipping and handling whether included as part of sales is billed separately and recorded as revenue and cost incurred for shipping and handling are classified under cost of sales.

**Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that assets's net carrying amount on initial recognition.

**2.5 Pensions and Other post-employment benefits**

The Group operates a defined contribution based retirement benefit scheme for its staff, in accordance with the amended Pension Reform Act of 2014 with employee contributing 8% and the employer contributing 10% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense in statement of profit or loss when employees have rendered the service entitling them to the contributions.

**2.6 Taxation**

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

**Current tax**

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

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates of 30% at the reporting sheet date. Education tax is calculated at 2% of the assessable profits in accordance with the Tertiary Education Tax Act.

**Deferred tax**

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 2.7 Property, plant and equipment

### i. Recognition and measurement

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

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

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

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

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

**ii. Subsequent costs**

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

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

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

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Buildings | Straight line | 50 years |
| Plant and machinery | Straight line | 15 years |
| Furniture and fixtures | Straight line | 5 years |
| Motor vehicles | Straight line | 4 years |
| Tools and equipment | Straight line | 4 years |
| Computer equipment | Straight line | 3 years |
| Aircraft | Straight line | 25 years |
| Bearer plant | Straight line | 5 years |

Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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

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

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

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

## 2.8 Leases

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

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

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

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

## 2.9 Intangible assets

**Intangible assets acquired separately**

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

**Derecognition of intangible assets**

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

**2.10 Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating-unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified,corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

**2.11 Inventories**

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

Goods in transit are valued at the invoice price. Cost of inventory includes purchase cost, conversion cost (materials, labour and overhead) and other costs incurred to bring inventory to its present location and condition. Finished goods, which include direct labour and factory overheads, are valued at standard cost adjusted at year-end on an actual cost basis.

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

**2.12 Provisions**

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

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

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

**2.13 Financial instruments**

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

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

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

**Financial assets**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity, investments, available-for-sale (AFS), financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The Group's financial assets comprise other loans and receivables.

**Effective interest method**

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

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

**Loans and receivables**

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

**Derecognition of financial assets**

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

**Impairment of financial assets**

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

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

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

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

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

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

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

**Cash and cash equivalents**

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

**Financial liabilities and equity instruments issued by the Group**

**Classification as debt or equity**

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

**Equity instruments**

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

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

**Financial liabilities**

Financial liabilities are classified as either financial liabilities, at fair value through profit or loss (FVTPL) or other liabilities. The Group only operates the category of other financial liability .

**Other financial liabilities**

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

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

**Derecognition of financial liabilities**

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

## 2.14 Earnings per share

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

## 2.15 Functional and presentation currency

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

**Foreign currency transactions and translation**

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

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

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

**2.16 Borrowing costs**

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

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

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

**2.17 Segment information**

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) where operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director of Dangote Sugar Refinery.

**2.18 Biological assets**

A biological asset is defined as a living animal or plant while biological transformation comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes in biological asset.

**Recognition of assets**

The Group recognises biological assets or agricultural produce when, and only when, all of the following conditions are met:
- the Group controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the Group; and
- the fair value or cost of the asset can be measured reliably.

Biological asset consists of growing cane which are yet to be harvested as at year end, and these are measured at fair value.

The basis of fair value determination of growing canes have been included in Note 18 respectively.

**Non-current biological assets**

Non-current biological assets are sugar cane roots which are stated at cost less accumulated depreciation and impairment charges are now included within property, plant and equipment. Depreciation is calculated using the same method as for property, plant and equipment.

## 3 Significant judgements and sources of estimation uncertainty

In the application of the Group's significant accounting policies, described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered ·to be relevant.

Actual results may differ from these estimates.

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

**Critical judgements and sources of estimation uncertainty**

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

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

**Revenue Recognition**

In recognising revenue, critical judgement is made with respect to the mode of delivery. Where the customer opts to make personal arrangement to take delivery of goods by bringing his own truck, revenue is recognised as soon as the truck is loaded and a waybill is generated. However, where the customer opts for delivery to be made using DSR trucks, revenue is recognised only when the goods are delivered at the address provided and receipt of same is acknowledged on the waybill.

**Fair values of biological assets**

The fair value of the biological asset is derived by internal experts, using the income approach. Growing cane is valued using the estimated yield in tons of sugarcane expected to be harvested from the existing cane roots, less estimated costs of harvest and transport. For this purpose, management is required to assess the estimated selling price. Cane price is determined using a formula that is based on the price of refined sugar. The cashflows are adjusted for time value of money and inflation based on prevailing market and economic conditions.

The carrying value of growing cane is disclosed in Note 18 of the financial statements

**Key sources of estimation uncertainty**

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

**Valuation of deferred tax**

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

## 4 New Standards and Interpretations

### 4.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

**Amendment to IAS 12 - Income taxes, Recognition of deferred tax assets for unrealised losses**

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

The effective date of the standard is for years beginning on or after January 1, 2017.

The amendment does not have any impact on Group consolidated and separate financial statements.

**Amendment to IAS 7 - Cash flow statements, Statement of cash flows on disclosure initiative**

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after January 1, 2017.

The amendment does not have any impact on Group consolidated and separate financial statements.

**4.2 Standards and interpretations not yet effective**

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2018 or later periods:

**IFRS 15- Revenue from contracts with customers**

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Effective for annual periods beginning on or after 1 January 2018.

**Amendment to IFRS 15- Revenue from contracts with customers.**

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. Effective for annual periods beginning on or after 1 January 2018.

The Group has reviewed its revenue recognition policy and is expecting no material impact from the adoption of the new standard on 1 January 2018.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

**IFRS 9 - Financial Instruments (2009 & 2010), Financial liabilities, Derecognition of financial instruments and Financial assets - General hedge accounting**

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has beenrelocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. Effective for annual periods beginning on or after 1 January 2018.

**Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting**

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity’s risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. Effective for annual periods beginning on or after 1 January 2018.

The Group has reviewed its financial assets and liabilities and is expecting no material impact from the adoption of the new standard on 1 January 2018.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

**IFRS 16 - Leases**

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-ofuse asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a lease, SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. Effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of this standard on the financial statements.

**IFRIC 22 - 'Foreign currency transactions and advance consideration**

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice. Effective for annual periods beginning on or after 1 January 2018. The Group is expecting no material impact from the adoption of the new standard on 1 January 2018.

**IFRIC 23 - Uncertainty over income tax treatments**

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. Effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of this standard on the financial statements.

## 5 Revenue

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Revenue from the sale of sugar - 50kg | 195,753,285 | 162,918,000 | 189,678,008 | 160,666,526 |
| Revenue from the sale of sugar - Retail | 4,673,822 | 3,807,756 | 4,673,822 | 3,807,756 |
| Revenue from the sale of molasses | 694,215 | 198,243 | 467,752 | 133,942 |
| Freight income | 3,301,057 | 2,800,937 | 3,301,057 | 2,800,937 |
| | **204,422,379** | **169,724,936** | **198,120,639** | **167,409,161** |

### 5.1 Segment information

Segment information is presented in respect of the group's reportable segments. For management purpose, the Group is organised into business units by geographical areas in which the group operates and the locations that comprise such regions represent operating segments.

The Group has 4 reportable segments based on location of the principal operations as follows: Northern Nigeria, Southern Nigeria, Eastern Nigeria and Lagos.

### 5.1.0 Segmental revenue and results

Revenue from external customers by region of operations is listed below.

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Nigeria: | | | | |
| Lagos | 96,140,557 | 82,380,863 | 96,140,557 | 82,380,863 |
| North | 72,507,102 | 61,366,486 | 66,205,362 | 59,050,711 |
| West | 24,847,066 | 18,581,808 | 24,847,066 | 18,581,808 |
| East | 10,927,654 | 7,395,779 | 10,927,654 | 7,395,779 |
| | **204,422,379** | **169,724,936** | **198,120,639** | **167,409,161** |

| | Segment Revenue | | Segment Cost of Sales | | Segment Results | |
|---|---|---|---|---|---|---|
| Group | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 |
| Nigeria: | | | | | | |
| Lagos | 96,140,557 | 82,380,863 | 72,881,448 | 72,207,921 | 23,259,109 | 10,172,942 |
| North | 72,507,102 | 61,366,486 | 50,356,601 | 51,758,734 | 22,150,499 | 9,607,752 |
| West | 24,847,066 | 18,581,808 | 20,834,735 | 16,287,202 | 4,012,332 | 2,294,606 |
| East | 10,927,654 | 7,395,779 | 9,361,500 | 6,482,498 | 1,566,155 | 913,281 |
| | **204,422,379** | **169,724,936** | **153,434,285** | **146,736,355** | **50,988,094** | **22,988,581** |

| | Segment Revenue | | Segment Cost of Sales | | Segment Results | |
|---|---|---|---|---|---|---|
| Company | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 |
| Nigeria: | | | | | | |
| Lagos | 96,140,557 | 82,380,862 | 69,098,064 | 69,840,232 | 27,042,493 | 12,540,630 |
| North | 66,205,362 | 59,050,712 | 47,742,515 | 50,061,571 | 18,462,847 | 8,989,141 |
| West | 24,847,066 | 18,581,808 | 19,753,173 | 15,753,146 | 5,093,893 | 2,828,662 |
| East | 10,927,654 | 7,395,779 | 8,875,531 | 6,269,938 | 2,052,123 | 1,125,841 |
| | **198,120,639** | **167,409,161** | **145,469,283** | **141,924,887** | **52,651,356** | **25,484,274** |

### 5.1.1 Segment assets and liabilities

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

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

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

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

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

The table below provides information on the segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the balance as at 31 December 2017;

| | Total Segment Assets | | Total Segment liabilities | |
|---|---|---|---|---|
| **Group** | **31/12/2017** | **31/12/2016** | **31/12/2017** | **31/12/2016** |
| **Nigeria:** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Lagos | 158,983,986 | 138, 702,330 | 91,644,487 | 95,709,749 |
| North | 28,923,284 | 29,539,062 | 5,487,508 | 5,008, 199 |
| West | – | – | – | – |
| East | – | – | – | – |
| **Sub-total** | **187,907,270** | **168,241,392** | **97,131,995** | **100,717,948** |
| Unallocated deferred tax | 7,173,178 | 3,928,066 | 5,212,819 | 5,299,480 |
| **Total** | **195,080,448** | **172,169,458** | **102,344,814** | **106,017,428** |

| | Total Segment Assets | | Total Segment liabilities | |
|---|---|---|---|---|
| **Company** | **31/12/2017** | **31/12/2016** | **31/12/2017** | **31/12/2016** |
| **Nigeria:** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Lagos | | | | |
| North | | | | |
| West | | | | |
| East | 196,064,664 | 175,593,979 | 91,644,487 | 95,709,749 |
| **Sub-total** | 196,064,664 | 175,593,979 | 91,644,487 | 95,709,749 |
| Unallocated deferred tax | – | – | 5,212,819 | 5,299,480 |
| **Total** | **196,064,664** | **175,593,979** | **96,857,306** | **101,009,229** |

Included in the Lagos segment is asset held for sale of N868.6 million (2016: N864.6 million).

## Information about major customers

There is a single customer who buys industrial non- fortified sugar that represents more than 10% of total sales during the year. The customer is Nigerian Bottling Company Limited with initial invoice value of N28,190,540,592.

## Large Corporate/Industrial Users

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

## Distributors

The Group sells unfortified sugar mainly to pharmaceutical, food and beverage manufacturers, while Vitamin A-fortified sugar is sold to distributors who sell to small wholesalers, confectioners and other smaller value-adding enterprises who provide the distribution network to the Nigerian retail market. The Group sells a small amount of sugar directly to retail customers. Retail packaging comes in various sizes of 250g, 500g, and 1kg under the brand name "Dangote Sugar". Sales to distributors account for 70% of the Group's revenue.

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

## 6 Cost of sales

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Raw material | 123,858,344 | 126,495,000 | 120,237,622 | 119,404,820 |
| Direct labour cost | 4,155,588 | 3,252,803 | 2,486,308 | 2,200,958 |
| Direct overheads | 16,598,671 | 9,778,450 | 16,218,880 | 14,438,444 |
| Other overheads | 1,016,224 | 434,756 | 29,329 | 415,080 |
| Depreciation | 4,238,941 | 4,049,105 | 2,930,627 | 2,740,567 |
| Freight expenses | 3,566,517 | 2,726,241 | 3,566,517 | 2,725,018 |
| | **153,434,285** | **146,736,355** | **145,469,283** | **141,924,887** |

## 7 Administrative expenses

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Management fees | 687,338 | 938,237 | 687,338 | 938,237 |
| Assessment rate and municipal charges | 5,050 | 17,350 | 5,050 | 16,827 |
| Auditors remuneration | 52,920 | 52,920 | 42,000 | 42,000 |
| Bad debts | 3 | 15,511 | 3 | – |
| Cleaning | 67,207 | 60,997 | 67,207 | 60,973 |
| Legal, consulting and professional fees | 275,626 | 155,660 | 259,818 | 145,429 |
| Consumables | 21,160 | 28,954 | 21,160 | 23,734 |
| Depreciation | 783,709 | 610,891 | 206,065 | 408,574 |
| Amortisation | 10,189 | 123,818 | 10,189 | 93,751 |
| Donations, scholarship and subscription | 380,676 | 65,147 | 380,676 | 64,147 |
| Employee costs | 2,057,879 | 1,987,619 | 1,533,868 | 1,446,554 |
| Entertainment | 20,841 | 24,168 | 20,841 | 22,466 |
| IT expenses | 42,355 | 3,393 | – | 1,307 |
| Insurance | 322,928 | 131,152 | 224,358 | 64,776 |
| Bank charges | 330,434 | 249,289 | 325,490 | 246,577 |
| Rental expenses | 53,638 | 98,170 | 51,021 | 97,922 |
| Magazines, books, print and periodicals | 23,336 | 85,474 | 18,584 | 73,644 |
| Utilities | 26,126 | 18,247 | 26,050 | 17,550 |
| Petrol and oil | 21,104 | 39,083 | 20,055 | 47,691 |
| Repairs and maintenance | 150,957 | 112,153 | 133,729 | 72,355 |
| Secretarial fees | 42,831 | 48,202 | 42,831 | 48,502 |
| Security expense | 286,310 | 137,903 | 220,978 | 94,376 |
| Software expense | – | 7,224 | – | – |
| Staff welfare | 31,317 | 32,792 | 31,317 | 22,257 |
| Subscriptions | 52,840 | 41,705 | 8,642 | 40,118 |
| Telephone and fax | 89,112 | 71,328 | 66,500 | 69,904 |
| Training | 41,248 | 15,044 | 38,219 | 13,736 |
| Travel-local | 306,293 | 50,609 | 157,340 | 20,995 |
| Travel-overseas | 166,757 | 349,294 | 166,757 | 337,200 |
| | **6,350,184** | **5,572,334** | **4,766,086** | **4,531,602** |

**Selling and Distribution expenses**

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Selling and marketing expenses | 1,019,276 | 909,196 | 954,437 | 899,530 |
| Carriage | 112,878 | 363,328 | 112,878 | 360,416 |
| | **1,132,154** | **1,272,524** | **1,067,315** | **1,259,946** |

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 |
|---|---|---|---|---|
| **8 Investment income** | | | | |
| Interest income on bank deposits | 3,364,257 | 601,473 | 3,364,257 | 601,473 |
| | **3,364,257** | **601,473** | **3,364,257** | **601,473** |

Interest is earned on bank deposits at an average rate of 13.5 % p.a. on short term (30days) bank deposits.

## 9 Fair Value adjustments

| | | | | |
|---|---|---|---|---|
| Fair value gain on biological assets (Note 18) | 2,468,411 | 2,504,787 | – | – |
| | **2,468,411** | **2,504,787** | – | – |

## 10 Net finance (income)/expense

| | | | | |
|---|---|---|---|---|
| Interest on loan from related party | – | 76,918 | – | 76,918 |
| Write back of interest provision no longer required | (203,437) | – | (203,437) | – |
| Exchange (gain)/loss | (3,933,757) | 44,170 | (4,329,433) | 44,170 |
| Interest on overdraft | 28,332 | – | 28,332 | – |
| Interest on bank loan | 250,104 | 222,102 | – | 35,657 |
| | **(3,858,758)** | **343,190** | **(4,504,538)** | **156,745** |

The interest on loan from related party relates to 2016 interest paid on loan from Dangote Industries Limited totalling N2.5 billion. The loan was obtained in 2015.

## 11 Other income

| | | | | |
|---|---|---|---|---|
| Insurance claim income | 23,588 | 48,755 | 23,588 | 23,759 |
| Sale of scrap | 15,521 | – | 13,213 | – |
| Provision no longer required | – | 505,002 | – | 492,082 |
| Grant income | 71,091 | – | – | – |
| Haulage income | 109,766 | – | 84,384 | – |
| Rental income | 91,665 | 118,104 | 67,500 | 88,930 |
| Equipment hire to third parties | – | 17,885 | – | – |
| Profit/(loss)on sale of asset | 60 | (40,374) | 60 | (40,374) |
| Miscellaneous income | 89,995 | 58,269 | 7,488 | 57,673 |
| | **401,686** | **707,641** | **196,233** | **622,070** |

## 12 Taxation

### Major components of the tax expense

| | | | | |
|---|---|---|---|---|
| **Current Tax** | | | | |
| Income tax based on profit for the year | 16,503,259 | 5,545,871 | 16,503,259 | 5,545,871 |
| Education tax expense | 1,182,059 | 483,798 | 1,182,059 | 483,798 |
| Prior years over-provision | (538,283) | | (538,283) | |
| | **17,147,035** | **6,029,669** | **17,147,036** | **6,029,669** |
| **Deferred tax** | | | | |
| Deferred tax (income)/expense | (3,331,772) | (811,173) | (86,661) | 531,162 |
| | **13,815,263** | **5,218,496** | **17,060,375** | **6,560,831** |

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

## 12.2 Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

| | | | | |
|---|---|---|---|---|
| Accounting profit before tax | 53,598,868 | 19,614,434 | 54,882,983 | 20,759,524 |
| Income tax expense calculated at 30% | 16,080,027 | 5,884,330 | 16,464,895 | 6,227,857 |
| Education tax expense calculated at 2% | 1,182,059 | 483,798 | 1,182,059 | 483,798 |
| Effect of investment allowance not recognised in accounting | (42,631) | (164,087) | (42,631) | (164,087) |
| Deferred education tax | (22,430) | (4,405) | (20,667) | (4,095) |
| Fines and penalties | – | 8,343 | – | 8,308 |
| Donations | 15,000 | 2,819 | 15,000 | 2,519 |
| Capital expenses and repayment | – | 204 | – | – |
| Other tax expense Bad debt | – | 157 | – | – |
| Fair value gain on biological assets and agricultural products | 1 | – | – | – |
| | (740,523) | (751,436) | 1 | – |
| Adjustment for prior years FA additions on which capital allowances now taken | 314,060 | (1,467'137) | – | – |
| Adjustments recognised in the current year in relation to the deferred tax of prior years | (2,432,017) | 1,225,910 | – | 6,531 |
| Adjustments recognised in the current year in relation to the current tax of prior years | (538,283) | – | – | – |
| Income tax expense recognised in profit or loss | **13,815,263** | **5,218,496** | **17,598,657** | **6,560,831** |

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| At January 1 | 6,600,053 | 5,542,475 | 6,567,952 | 5,510,374 |
| Charge for the year | 17,147,035 | 6,029,669 | 17,147,036 | 6,029,669 |
| Payment made during the year | (6,029,669) | (4,972,091) | (6,029,669) | (4,972,091) |
| Balance end of the period | **17,717,419** | **6,600,053** | **17,685,319** | **6,567,952** |

## 13 Deferred tax balances

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2016: 30%). The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement.

**Deferred tax assets**

| | | | | |
|---|---|---|---|---|
| Deferred tax assets are attributable to the following : | | | | |
| Property plant and equipment @ 30% | 138,972 | (2,273,977) | – | – |
| Provisions | 779,808 | 480,800 | – | – |
| Unrelieved losses@ 30% | 6,254,398 | 5,721,243 | – | – |
| | **7,173,178** | **3,928,066** | – | – |

**Deferred tax liabilities**

| | | | | |
|---|---|---|---|---|
| Deferred tax liabilities are attributable to the following: | | | | |
| Property plant and equipment @ 30% | (5,763,477) | (5,519,466) | (5,763,477) | (5,519,466) |
| Property plant and equipment @ 10% | (121,878) | (121,878) | (121,878) | (121,878) |
| Exchange difference @ 32% | 335,837 | (205) | 335,837 | (205) |
| Provisions | 336,699 | 342,069 | 336,699 | 342,069 |
| | **(5,212,819)** | **(5,299,480)** | **(5,212,819)** | **(5,299,480)** |

Deferred income tax credit in profit or loss ("P/L) are attributable to the following items:

**Deferred tax reconciliation**

| Group as at 31 December 2017<br>Deferred tax (liabilities)/assets in relation to: | Opening balance<br>₦'000 | Credit to P/L<br>₦'000 | Closing balance<br>₦'000 |
|---|---|---|---|
| Property, plant and equipment@ 30% | (7,793,442) | 2,168,938 | (5,624,504) |
| Property, plant .and equipment@ 10% | (121,878) | – | (121,878) |
| Exchange difference @ 32% | (205) | 336,042 | 335,837 |
| Provisions | 822,869 | 293,638 | 1,116,507 |
| Unrelieved losses @ 30% | 5,721,243 | 533,154 | 6,254,397 |
| | **(1,371,413)** | **3,331,772** | **1,960,359** |

**Company as at 31 December 2017**
**Deferred tax (liabilities)/assets in relation to:**

| | | | |
|---|---|---|---|
| Property, plant and equipment@ 30% | (5,519,466) | (244,011) | (5,763,477) |
| Property, plant and equipment@ 10% | (121 ,878) | – | (121,878) |
| Exchange difference @ 32% | (205) | 336,042 | 335,837 |
| Provisions | 342,069 | (5,370) | 336,699 |
| | **(5,299,480)** | **86,661** | **(5,212,819)** |

## 14 Operating profit

Profit for the year is arrived at after charging/( crediting):

| | GROUP<br>31/12/2017<br>₦'000 | GROUP<br>31/12/2016<br>₦'000 | COMPANY<br>31/12/2017<br>₦'000 | COMPANY<br>31/12/2016<br>₦'000 |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | 5,022,650 | 4,659,996 | 3,136,692 | 3,136,692 |
| ProfiU(loss) on sale of property, plant and equipment | (60) | 40,374 | (60) | 40,374 |
| Amortisation of intangible assets | 10,189 | 123,818 | 10,189 | 93,751 |
| Impairment loss recognised on trade receivables | 3 | 15,511 | – | – |
| Defined contribution plans | 224,988 | 199,255 | 175,033 | 137,071 |
| Auditors remuneration | 52,920 | 52,920 | 42,000 | 42,000 |
| Amortisation of intangible assets | 10,189 | 123,818 | 10,189 | 93,751 |

## 15 Earnings per share

**Basic and diluted earnings per share**

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders by the parent by weighted average number of ordinary shares outstanding during the year.

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

| | GROUP<br>31/12/2017<br>₦'000 | GROUP<br>31/12/2016<br>₦'000 | COMPANY<br>31/12/2017<br>₦'000 | COMPANY<br>31/12/2016<br>₦'000 |
|---|---|---|---|---|
| Profit for the year | 39,685,555 | 14,386,076 | 37,822,608 | 14,1 98,693 |
| Earnings used in the calculation of basic earnings per share from continuing operations | 39,685,555 | 14,386,076 | 37,822,608 | 14,1 98,693 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **12,000,000** | **12,000,000** | **12,000,000** | **12,000,000** |
| Basic and diluted earnings per share from continuing operations (Naira) | 3.31 | 1.20 | 3.15 | 1.18 |

**16a. Property, Plant and Equipment**

Company

| COST: | Land | Building | Plant & Machinery | Furniture & Fittings | Motor Vehicles | Computer Equipment | Aircraft | Tools & Equipment | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance, 1/1/2016 | 1,848,996 | 6,527,516 | 16,484,406 | 97,498 | 7,780,287 | 129,029 | 899,828 | 698,034 | 8,569,419 | 43,035,013 |
| Additions during the year | – | 142,914 | 1,900,172 | 10,815 | 61,584 | 13,746 | – | 742,039 | 229,994 | 3,101,264 |
| Disposal | – | – | – | – | (625,858) | – | – | – | (82,171) | (708,029) |
| Reclassification | – | 1,065,217 | 2,723,608 | – | – | – | – | 90,000 | (3,878,825) | – |
| Balance, 31/12/2016 | **1,848,996** | **7,735,647** | **21,108,186** | **108,313** | **7,216,013** | **142,775** | **899,828** | **1,530,073** | **4,838,417** | **45,428,248** |
| Additions during the period | – | 31,505 | 180,155 | 7,687 | 3,041,319 | 14,195 | – | 86,025 | 5,810,311 | 9,171,196 |
| Reclassification | – | – | 915,057 | – | – | – | – | 225,591 | (1,140,648) | – |
| Disposal | – | – | – | – | (2,841) | – | – | (1 ,750) | (30,916) | (35,507) |
| Balance, 31/12/2017 | **1,848,996** | **7,767,152** | **22,203,398** | **116,000** | **10,254,491** | **156,970** | **899,828** | **1,839,939** | **9,477,164** | **54,563,937** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT:** | | | | | | | | | | |
| Balance, 1 /1 /2016 | – | 1,010,161 | 7,295,020 | 55,706 | 4,148,959 | 62,685 | 74,945 | 316,827 | – | 12,964,303 |
| Charge for the year | – | 139,136 | 1,216,959 | 14,042 | 1,477,126 | 37,695 | 35,993 | 228,190 | – | 3,149,141 |
| Disposal | – | – | – | – | (277,021) | – | – | – | – | (277,021) |
| Balance, 31/12/2016 | – | **1,149,297** | **8,511,979** | **69,748** | **5,349,064** | **100,380** | **110,938** | **545,017** | – | **15,836,423** |
| Charge for the year | – | 155,335 | 1,464,450 | 15,309 | 1,103,643 | 35,977 | 35,993 | 325,985 | – | 3,136,692 |
| Disposal | – | – | – | – | (2,841) | – | – | (1,203) | – | (4,044) |
| Balance, 31/12/2017 | – | **1,304,632** | **9,976,429** | **85,057** | **6,449,866** | **136,357** | **146,931** | **869,799** | – | **18,969,071** |
| NET BOOK VALUE: | | | | | | | | | | |
| Balance, 31/12/2016 | 1,848,996 | 6,586,350 | 12,596,207 | 38,565 | 1,866,949 | 42,395 | 788,890 | 985,056 | 4,838,417 | 29,591,825 |
| Balance, 31/12/2017 | **1,848,996** | **6,462,520** | **12,226,969** | **30,943** | **3,804,625** | **20,613** | **752,897** | **970,140** | **9,477,164** | **35,594,866** |

**16b. Property, Plant and Equipment**

| | Bearer Plant | Land | Building | Plant & Machinery | Furniture & Fittings | Motor Vehicles | Computer Equipment | Aircraft | Tools & Equipment | Capital Work In Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance, 1/1/2016 | 1,412,790 | 1,848,996 | 15,437,860 | 23,312,270 | 264,949 | 14,685,649 | 163,087 | 899,828 | 3,027,206 | 13,632,698 | 74,685,333 |
| Additions during the year | 38,905 | – | 147,181 | 2,366,806 | 20,624 | 98,425 | 16,226 | – | 863,036 | 398,872 | 3,950,075 |
| Disposal | – | – | – | – | – | (641,369) | – | – | – | (82,171) | (723,540) |
| Reclassification | 935,456 | – | 1,065,217 | 2,723,607 | – | (119,206) | – | – | 90,000 | (4,695,074) | – |
| Balance, 31/12/2016 | **2,387,151** | **1,848,996** | **16,650,258** | **28,402,683** | **285,573** | **14,023,499** | **179,313** | **899,828** | **3,980,242** | **9,254,325** | **77,911 ,868** |
| Additions during the year | – | – | 31,505 | 293,341 | 7,687 | 3,041,319 | 14,195 | – | 93,052 | 6,268,736 | 9,749,835 |
| Write-off | – | – | – | – | – | – | – | – | – | (74,181) | (74,181) |
| Reclassification | 535,912 | – | – | 1,042,310 | 4,190 | 211,968 | 2,291 | – | 401 ,298 | (2,197,969) | – |
| Disposal | – | – | – | – | (2 ,239) | (35,039) | – | – | (1 ,750) | (30,916) | (69,945) |
| Balance, 31/12/2017 | **2,923,063** | **1,848,996** | **16,681,763** | **29,738,334** | **295,211** | **17,241,748** | **195,799** | **899,828** | **4,472,842** | **13,219,995** | **87,517,577** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT:** | | | | | | | | | | | |
| Balance, 1 /1 /2016 | 253,547 | – | 1,815,283 | 8,058,546 | 105,262 | 5,446,815 | 79,206 | 74,944 | 2,892,686 | – | 18,726,289 |
| Charge for the year | 400,215 | – | 257,551 | 1,728,517 | 41 ,656 | 1,833,877 | 48,852 | 35,994 | 313,334 | – | 4,659,996 |
| Disposal | – | – | – | – | – | (277,021) | – | – | – | – | (277,021) |
| Balance, 31/12/2016 | **653,762** | – | **2,072,834** | **9,787,063** | **146,918** | **7,003,671** | **128,058** | **110,938** | **3,206,020** | – | **23,109,264** |
| Charge for the year | 518,648 | – | 273,828 | 1,993,680 | 43,866 | 1,645,668 | 43,826 | 35,993 | 467,141 | – | 5,022,650 |
| Disposal | – | – | – | – | (1 ,583) | (25 ,239) | – | – | (1,203) | – | (28,025) |
| Balance, 31/12/2017 | **1,172,410** | – | **2,346,662** | **11,780,743** | **189,201** | **8,624,100** | **171,884** | **146,931** | **3,671,958** | – | **28,103,889** |
| **NET BOOK VALUE:** | | | | | | | | | | | |
| Balance, 31/12/2016 | **1,733,389** | **1,848,996** | **14,577,424** | **18,615,620** | **138,655** | **7,019,828** | **51,255** | **788,890** | **774,222** | **9,254,325** | **54,802,604** |
| Balance, 31/12/2017 | **1,750,653** | **1,848,996** | **14,335,101** | **17,957,592** | **106,010** | **8,617,647** | **23,915** | **752,897** | **800,884** | **13,219,995** | **59,413,689** |

## 17 Intangible assets

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Computer software: | | | | |
| Cost | | | | |
| At 1 January | 379,590 | 379,590 | 289,390 | 289,390 |
| **At 31 December** | **379,590** | **379,590** | **289,390** | **289,390** |
| **Accumulated Depreciation** | | | | |
| At 1 January | 366,837 | 243,019 | 276,637 | 182,886 |
| Charge for the year | 10,189 | 123,818 | 10,189 | 93,751 |
| **At 31 December** | **377,026** | **366,837** | **286,826** | **276,637** |
| Carrying amount at the end of the year | **2,564** | **12,753** | **2,564** | **12,753** |

## 18 Biological assets

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Cost | | | | |
| Carrying value at the beginning of the period | 3,008,277 | 1,885,779 | – | – |
| Net usage | (2,669,983) | (1,382,289) | – | – |
| Fair value adjustments | 2,468,411 | 2,504,787 | – | – |
| **Carrying value at the end of the period** | **2,806,705** | **3,008,277** | – | – |
| Current | 2,806,705 | 3,008,277 | – | – |
| | **2,806,705** | **3,008,277** | – | – |

**Description of biological assets and activities**

Biological assets comprise of growing cane. The growing cane represents biological assets which are expected to be harvested as agricultural produce, intended for production of sugar. The biological assets have been measured at fair value less cost to sell.

**Basis for measurement of fair value**

The fair value of biological assets are determined based on unobservable inputs, using the best information available in the circumstances and therefore falls within the level 3 fair value category. Growing cane were valued using the income approach

**Key assumptions and inputs**

| | |
|---|---|
| Selling price of refined sugar per 50kg bag (N) | 13,810 |
| Yield per hectare (tonnes) | 60 |
| Discount rate(%) | 15.37 |
| Cost to sell(%) | 2.50 |

**Sensitivity to changes in key assumptions and inputs**

Reasonably possible changes at the reporting date to one of the key assumptions, holding other assumptions constant, would have affected the biological assets valution by the amount shown below.

| | | 31/12/2017 ₦'000 |
|---|---|---|
| Discount rate | +5% | (18,200) |
| | -5% | 19,235 |
| Selling price of refined sugar | +N500 | 101,622 |
| | -N500 | (101,622) |

The Company currently does not have biological assets with restricted titles.

## 19 Other assets

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Prepaid rent | 181 ,927 | 199, 143 | 181 ,927 | 199,143 |
| Prepaid insurance | 2,124 | 27,136 | 2,124 | 26,442 |
| Prepaid housing | 3,925 | – | 3,925 | – |
| Advance payment to vendors | 1,516,679 | 665,759 | – | – |
| Other financial assets (19.1) | 13,012,871 | 8,409,240 | 13,012,871 | 8,409,240 |
| Prepaid lease NPA | 159,505 | 124,945 | 159,505 | 124,945 |
| Prepaid medicals | 8,501 | – | 8,501 | – |
| Others | – | 53 | – | 53 |
| | **14,885,532** | **9,426,276** | **13,368,853** | **8,759,823** |
| Current | 14,882,332 | 9,426,223 | 13,365,653 | 8,759,770 |
| Non-current portion | 3,200 | 53 | 3,200 | 53 |
| | **14,885,532** | **9,426,276** | **13,368,853** | **8,759,823** |

**19.1 Other financial asset is in respect of the deposit for open Letters of Credit with the banks.**

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| **20 Asset held for sale** | 868,642 | 864,647 | 868,642 | 864,647 |

This represents land held for sale.

## 21 Investments in subsidiary

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

| Company Name of Company | Held by | Carrying amount December 2017 ₦'000 | Carrying amount December 2016 ₦'000 |
|---|---|---|---|
| Savannah Sugar Company Limited | Dangote Sugar Refinery Plc | 3,214,923 | 3,214,923 |

The Company owns 95% shareholding in Savannah Sugar Company Limited. The principal activities of Savannah Sugar Company Limited are planting of sugar cane, processing, packaging and selling of refined sugar and molasses and reg istered address is Km 81, Yola Gombe Road (near Numan) Adamawa State.

There are no significant restrictions on the use of the subsidiary assets.

Dangote Sugar Refinery Plc provides financial support to Savannah Sugar Company Limited in terms of payment of salaries and wages, purchase of assets and settlement of liabilities.

## 22 Inventories

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Raw materials | 10,878,442 | 26,324,058 | 9,899,990 | 26,100,094 |
| Raw material in transit | 17,927,007 | – | 17,927,007 | – |
| Work-in-process | 432,585 | 672,216 | 432,585 | 661,743 |
| Finished goods | 11,060,993 | 13,410,994 | 10,793,965 | 13,010,720 |
| Production supplies | 7,401 ,226 | 7,695,387 | 3,553,265 | 5,009,326 |
| Chemicals and consumables | 1,981 ,824 | 1,189,832 | 1,981,824 | 681,010 |
| Packaging materials | 190,847 | 221,067 | 190,847 | 186,082 |
| | **49,872,924** | **49,513,554** | **44,779,483** | **45,648,975** |
| Allowance for obsolete inventory | (2,217 ,363) | (2,104,512) | – | – |
| | **47,655,561** | **47,409,042** | **44,779,483** | **45,648,975** |

No inventory was pledged as security for any liability.

## 23 Trade and other receivables

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Trade receivables | 7,715,495 | 8,711,389 | 7,715,495 | 8,700,614 |
| Allowance for doubtful debts and impairments | (262,623) | (270,656) | (245,401) | (253,434) |
| | **7,452,872** | **8,440,733** | **7,470,094** | **8,447,180** |
| Staff loans and advances | 189,367 | 283,994 | 166,481 | 266,740 |
| Advance payment to contracto rs | 2,669,633 | – | 2,669,633 | – |
| VAT receivable | 1,088,753 | 1, 135,096 | 989,976 | 1,135,096 |
| Insurance claim receivable | 361 ,998 | 448,760 | 361,998 | 448,760 |
| Negotiable Duty Credit Certificates (Note 23.1) | 805,683 | 805,683 | 805,683 | 805,683 |
| Other receivables | 608,950 | 294,349 | 490,371 | 189,964 |
| Allowance for impaired other receivables | (198,662) | (198,662) | (80,095) | (80,095) |
| Amo unt due from related parties (Note 35) | 7,928,454 | 6,523,934 | 45,008,534 | 43,415,583 |
| | **20,907,048** | **17,733,887** | **57,882,675** | **54,628,911** |

Trade receivables disclosed above include amounts (see note 32 for aged analysis) that are past due more than 30 days as at the reporting date for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

### 23.1 Negotiable duty credit certificate

The Company has received certificates for N805.7 million termed as Negotiable Duty Credit Certificate (NDCC). The NDCC is an instrument of the government for settling of the EEG receivables. The NDCC is used for the payment of Import and Excise duties in lieu of cash. For more than one year, the Company and other industry players have not been able to use the certificates in settlement of customs duties.

Though, a significant component of the NDCC/EEG receivable have been outstanding for more than one year, no impairment charge has been recognised by the Company in the current year because they are regarded as sovereign debt since it is owed by the government. Moreover, the government has not communicated or indicated unwillingness to honour the obligations. On the contrary, the government has earmarked up to N20 billion in the 2017 budget to be used to settle outstanding grants and has also announced a resumption of the scheme in 2017. Thus, the outstanding balances are classified as current assets accordingly.

## 24 Cash and cash equivalents

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

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Cash in hand | 15,766 | 14,625 | 15,616 | 14,475 |
| Bank balances | 11,780,341 | 10,605,674 | 10,765,619 | 8,457,647 |
| Short term deposits | 29,571,423 | 24,400,000 | 29,571,423 | 24,400,000 |
| Bank overdraft | – | (36,393) | – | – |
| | **41,367,530** | **34,983,906** | **40,352,658** | **32,872,122** |

## 25 Share capital and Premium

The balance in the share capital account was as follows:

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| **Authorised:** 12,000,000,000 Ordinary shares of 50k each | **6,000,000** | **6,000,000** | **6,000,000** | **6,000,000** |
| **Allotted, called up issued and fully paid:** 12,000,000,000 Ordinary shares of 50k each | **6,000,000** | **6,000,000** | **6,000,000** | **6,000,000** |
| **Share premium** | | | | |
| Authorised: 12,000,000,000 ordinary shares of 50k each issued at 52.67k premium | **6,320,524** | **6,320,524** | **6,320,524** | **6,320,524** |

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

## 26 Retained earnings

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Balance at January 1 | 54,092,393 | 45,706,317 | 62,264,226 | 54,065,533 |
| Profit for the year | 39,685,555 | 14,386,076 | 37,822,608 | 14,198,693 |
| Payment of 2016 dividend | (7,200,000) | (6 ,000,000) | (7,200,000) | (6 ,000,000) |
| Payment of 2017 interim dividend | (6,000,000) | – | (6,000,000) | – |
| Balance at December 31 | **80,577,948** | **54,092,393** | **86,886,834** | **62,264,226** |

## 27 Non-controlling interest

| | | | | |
|---|---|---|---|---|
| Balance brought forward | (260,887) | (270,749) | – | – |
| Share of profit | 98,050 | 9,862 | – | – |
| Total | **(162,837)** | **(260,887)** | – | – |

## 28 Borrowings

| | | | | |
|---|---|---|---|---|
| Held at amortised cost | | | – | – |
| Bank loan | 1,538,159 | 1,467,068 | – | – |
| | **1,538,159** | **1,467,068** | – | – |
| Non-current liabilities | 1,467,068 | 1,467,068 | – | – |
| Current liabilities | 71,091 | – | – | – |
| | **1,538,159** | **1,467,068** | – | – |
| **Movement of borrowings** | | | | |
| Balance brought forward | 1,467,068 | 2,500,000 | – | – |
| Additions | – | 1,467,068 | – | – |
| Accrued interest | 71 ,091 | 186,516 | – | – |
| Payments | – | (2,686,516) | – | – |
| | **1,538,159** | **1,467,068** | – | – |

In 2016, the Group received a 10-year loan of N2 Billion from Zenith Bank Pie, with two years moratorium on principal, at an interest of 9% per annum payable quarterly. It is secured on fixed and floating assets of Savannah Sugar Limited.

## 29 Employee benefits

### Defined benefit plan

The Group operated a defined benefit plan for all qualifying employees up till 30 September 2013. Under the plan, the employees were entitled to retirement benefits which vary according to length of service. At the date of discontinuation, qualified staff as at this date are to be paid their retirement benefit at the point of exit hence the recognition as a current liability as it is payable on demand. The amounts stated in the financial statement as at 2013 are based on actuarial valuation carried out in 2013. For the purpose of comparison the present value of the defined benefit obligation, and the related current service cost and past service cost stated in the books up till 30 September 2013 was measured using the Project Unit Credit Method.

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

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

In calculating the liabilities, the consultant took the following into recognition:
** length of service rendered by each member of staff at the review date
** discounting of the expected benefit payments.

| | |
|---|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the Ian artici ants will increase the plan’s liability. |

| **Movement in gratuity** | **GROUP 31/12/2017 ₦'000** | **GROUP 31/12/2016 ₦'000** | **COMPANY 31/12/2017 ₦'000** | **COMPANY 31/12/2016 ₦'000** |
|---|---|---|---|---|
| Balance as at 1 January | 1,031 ,024 | 1,079,067 | 815,532 | 863,575 |
| Benefits paid from plan | (46,549) | (48,043) | (8,750) | (48,043) |
| | **984,475** | **1,031,024** | **806,782** | **815,532** |

As at the date of the valuation, no fund has been set up from which payments can be disbursed. Dangote Sugar Refinery expects to settle its obligations out of its existing reserves. The contribution into the gratuity scheme was discontinued in 2013.

**Defined contribution plan**

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees contribute 8% of their gross salary (basic, housing and transport) while the Group contributes 10% on behalf of the employees to the same plan.

## 30 Trade and other payables

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Trade payables | 33,593,048 | 53,951 ,090 | 33,015,665 | 52,938,508 |
| Accrual for raw materials | – | 12,948,215 | – | 12,662,547 |
| Accruals and sundry creditors | 5,324,742 | 6,821,490 | 4,209,796 | 6,804,485 |
| Other credit balances | 20,595,179 | 6,670,014 | 20,133,338 | 5,915,024 |
| Due to related parties (Note 35) | 16,139,927 | 8,420,520 | 14,554,541 | 7,200,879 |
| | **75,652,896** | **88,811,329** | **71,913,340** | **85,521,443** |

The average credit period on purchases of goods from suppliers is 90days. No interest is charged on the trade payables.

## 31 Other Liabilities

| | | | | |
|---|---|---|---|---|
| Advance payment for goods | 1,239,046 | 2,808,474 | 1,239,046 | 2,804,822 |

## 32 Risk management

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group's risk management committee reviews the capital structure of the Group on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group is not geared as at 31 December 2017 (see below).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position as at 31 December 2017) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the as at 31 December 2017 plus net debt.

The gearing ratio at 2017 and 2016 respectively were as follows:

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| **Total borrowings** | | | | |
| Borrowings (Note 28) | 1,467,068 | 1,467,068 | – | – |
| Less: Cash and cash equivalent (Note 24) | (41,367,530) | (34,983,906) | (40,352,658) | (32,872,122) |
| Net Cash | (39 ,900,462) | (33,516,838) | (40,352,658) | (32,872, 122) |
| Total Equity | 92,735,635 | 66,152,030 | 99,207,358 | 74,584,750 |
| Gearing ratio | – | – | – | – |

### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the boardGroup treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk management

The Company monitors its risk to a shortage of funds by maintaining a balance between continuity of funding and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. To manage liquidity risk, our allocation of Letters of Credit on raw sugar and spares/chemicals are spread over dedicated banks. Therefore, the establishment of these Letters of Credit which are commitments by the banks provide security to our funds placed on deposit accounts. In other words our funds placed are substantially tied to our obligations on raw sugar and spares.

| Group<br>At 31 December 2017 | Less than one year | More than one year | Total |
|---|---|---|---|
| Borrowings | 71,091 | 2,000,000 | 2,071,091 |
| Trade and other payables | 55,057 716 | – | 55,057,716 |
| | **55,128,807** | **2,000,000** | **57,128,807** |
| **At 31 December 2016** | | | |
| Borrowings | – | 2,000,000 | 2,000,000 |
| Trade and other payables | 82,141 ,315 | – | 82,141 ,315 |
| | **82,141 ,315** | **2.000.000** | **84,141,315** |

| Company<br>At 31 December 2017 | Less than one year | More than one year | Total |
|---|---|---|---|
| Borrowings | – | – | – |
| Trade and other payables | 51,780,002 | – | 51,780,002 |
| | **51,780,002** | – | **51,780,002** |
| **At 31 December 2016** | | | |
| Borrowings | – | – | – |
| Trade and other payables | 79,606,419 | – | 79,606,419 |
| | **79,606,419** | – | **79,606,419** |

Financial liabilities that can be repaid at any time have been assigned to the earliest possible time period. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**Credit risk**

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

The Group is exposed to credit risk from its investing activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial institutions. The Group has a credit management committee that is responsible for carrying out preliminary credit checks, review and approval of bank guarantees to credit customers. A credit controller also monitors trade receivable balances and resolves credit related matters.

The average credit period on sales of goods is 30 days. Allowances for doubtful debts are recognised against trade receivables outstanding beyond 365 days based on estimated irrecoverable amounts. Previous experience has shown that receivables that are past due after 365 days are doubtful of recovery. Allowances for doubtful debts are recognised against trade receivables due over 180 days and below 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current position.

Before accepting any new customer to buy on credit, the customer must have purchased goods on cash basis for a minimum period of six months in order to test the financial capability of the customer. Based on good credit rating by the credit committee of the Company, the customer may be allowed to migrate to credit purchases after the presentation of an acceptable bank guarantee which must be valid for one year.

*Concentration of risk*

About 32% of the trade receivables are due from a single customer whose credit history is good. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are otherwise diverse including both corporate entities and lots of individual end users. The requirement for impairment is analysed at each reporting date on an individual basis for corporate and individual customers.

*Deposits with banks and other financial institutions*

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

*Maximum exposure to credit risks*

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

| Financial instrument | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Trade receivables | 7,452,872 | 8,440,733 | 7,470,094 | 8,447,180 |
| Other receivables | 3,631,286 | 828,441 | 3,608,389 | 825,369 |
| Amount due from related party | 7,928,454 | 6,523,934 | 45,008,534 | 43,415,583 |
| Cash and cash equivalents | 41,367,530 | 34,983,906 | 40,352,658 | 32,872,122 |
| | **60,380,141** | **50,777,014** | **96,439,675** | **85,560,254** |

Excluded from the other receivables balance shown above are the VAT and NDCC receivables, these are not financial instruments.

The category of trade and other receivables and related impairment allowances at the reporting date was:

| | Gross 31/12/2017 ₦'000 | Impairment 31/12/2017 ₦'000 | Gross 31/12/2016 ₦'000 | Impairment 31/12/2016 ₦'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Neither past due nor impaired | 6,602,248 | – | 7,237,638 | – |
| Past due but not impaired | 850,399 | – | 791,664 | – |
| Impaired | 262,848 | 262,623 | 682,087 | 270,656 |
| | **7,715,495** | **262,623** | **8,711,389** | **270,656** |
| **Company** | | | | |
| Neither past due nor impaired | 6,602,248 | – | 7,226,863 | – |
| Past due but not impaired | 850,399 | – | 791,664 | – |
| Impaired | 262,848 | 245,401 | 682,087 | 253,434 |
| | **7,715,495** | **245,401** | **8,700,614** | **253,434** |
| **Other receivables** | | | | |
| **Group** | | | | |
| Neither past due nor impaired | 3,631,286 | – | 828,441 | – |
| Past due but not impaired | – | – | – | – |
| Impaired | 198,662 | 198,662 | 198,662 | 198,662 |
| | **3,829,948** | **198,662** | **1,027,103** | **198,662** |
| **Company** | | | | |
| Neither past due nor impaired | 3,608,389 | – | 825,369 | – |
| Past due but not impaired | – | – | – | – |
| Impaired | 80,095 | 80,095 | 80,095 | 80,095 |
| | **3,688,484** | **80,095** | **905,464** | **80,095** |

The balances classified as past due but not impaired relate to trade and other receivables aged between 31 and 60 days.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Balance at January 1, 2017 | 270,656 | 682,087 | 253,434 | 682,087 |
| Impairment loss recognised | 3 | 15,511 | 3 | – |
| Impairment loss written off as uncollectible | (8,036) | (426,942) | (8,036) | (428,653) |
| Balance at December 31, 2017 | **262,623** | **270,656** | **245,401** | **253,434** |

*Credit quality*

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| *Counterparties without external credit rating** | | | | |
| Group 1 | – | – | – | – |
| Group 2 | 7,382,396 | 7,382,396 | 8,307,478 | 8,296,703 |
| Group 3 | 333,099 | 333,099 | 403,911 | 403,911 |
| **Total trade receivables** | **7,715,495** | **7,715,495** | **8,711,389** | **8,700,614** |
| | | | | |
| **Other receivables** | | | | |
| Related parties** | 7,928,454 | 6,523,934 | 45,008,534 | 43,415,583 |
| Receivables from once-off transactions with other third parties*** | 3,631,286 | 828,441 | 3,608,389 | 825,369 |
| | | | | |
| **Cash at bank and short-term bank deposits** | | | | |
| *Counterparties with external credit rating (Fitch)**** * | | | | |
| B- | 17,943,347 | 17,941,441 | 10,701,223 | 10,699,317 |
| B | 3,720,224 | 3,720,223 | 369,884 | 369,884 |
| B+ | 14,144,840 | 13,623,614 | 8,632,881 | 6,599,582 |
| BBB | 2,126 | 2,126 | – | – |
| A- | 2,891,938 | 2,400,349 | 799,478 | 686,656 |
| A | 833,779 | 833,779 | 9,715,550 | 9,715,550 |
| AAA | 1,797,335 | 1,797,335 | 4,728,931 | 4,728,931 |
| No rating | 18,175 | 18,175 | 57,727 | 57,727 |
| | **41,351,764** | **40,337,042** | **35,005,674** | **32,857,647** |

*Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

**None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically.

***The Group has procedures in place to assess whether to enter into once-off transactions with third parties, including mandatory credit checks.

****B+, B and B-: Highly speculative, indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

BBB: Good credit quality, denotes expectations of default risk are currently low, The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

A & A-: High credit quality, denotes expectations of low default risk, capacity for payment of financial commitments is considered strong, but may more vulnerable to adverse business or economic conditions than is the case for higher ratings.

AAA: Highest credit quality, denotes the lowest expectations of default risk, exceptionally strong capacity for payment of financial commitments

## Interest rate risk management

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 Group is exposed to fluctuations in interest rates on its borrowings. The Group pays fixed/floating rate interest on its borrowings. The company actively monitors interest rate exposures on its investment portfolio and borrowings so as to minimise the effect of interest rate fluctuations on the income statement. The risk on borrowings is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings. All loans, cash and cash equivalent are fixed interest based and therefore the company does not have any exposure to the risk of changes in market rates.

**Interest rate sensitivity**

The sensitivity analysis below have been determined based on the exposure to interest rates for related party loan at the prevailing market interest rate of 13.5% at the end of the reporting period. A 250 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A 250 basis points reflects a N50 million impact on finance cost. A positive number below indicates an increase in profit or equity for a 250 basis points change in the finance cost. A negative number below indicates a decrease in profit or equity for a 250 basis points change in the finance cost.

**Foreign currency risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is limited to foreign currency purchases of operating materials (e.g. finished equipment and other inventory items) and trade receivables that are denominated in foreign currencies. Foreign exchange exposure is monitored by the Group's treasury unit.
The Naira carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | 31/12/2017 | | | 31/12/2016 | | |
|---|---|---|---|---|---|---|
| **Company** | **Euro(€) ₦'000** | **GBP(£) ₦'000** | **USD($) ₦'000** | **Euro(€) ₦'000** | **GBP(£) ₦'000** | **USD($) ₦'000** |
| Cash and cash equivalents | – | – | 1,709 | – | – | 1,707 |
| Trade payables | – | – | (32,141,758) | – | – | (49,261 ,407) |
| Amount due from/(to) related parties | 112,175 | (46,136) | 1,627,319 | 11 ,971 | – | 731 ,848 |
| **Net exposure** | **112,175** | **(46,136)** | **(30,512, 730)** | **11 ,971** | – | **(48,527,852)** |

| | 31/12/2017 | | | 31/12/2016 | | |
|---|---|---|---|---|---|---|
| **Group** | **Euro(€) ₦'000** | **GBP(£) ₦'000** | **USD($) ₦'000** | **Euro(€) ₦'000** | **GBP(£) ₦'000** | **USD($) ₦'000** |
| Cash and cash equivalents | – | – | 1,709 | – | – | 1,707 |
| Trade payables | – | – | (32,141,758) | – | – | (49,261 ,407) |
| Amount due from/(to) related parties | 112,175 | (46,136) | 1,627,319 | 11 ,971 | – | 731 ,848 |
| **Net exposure** | 112,175 | **(46,136)** | **(30,512, 730)** | **11 ,971** | – | **(48,527,852)** |

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Company expects its foreign exchange contracts to hedge foreign exchange exposure.

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| | ₦ | ₦ | ₦ | ₦ |
| Euro(€) | 350.95 | 335.51 | 366.86 | 321 .17 |
| GBP (£) | 400.09 | 391.34 | 413.65 | 376.86 |
| USD($) | 307.55 | 303.50 | 306.00 | 305.50 |

**Sensitivity analysis on foreign currency**

A fifteen percent (15%) strengthening of the Naira, against the Euro, Dollar and GBP at 31 December would have increased/(decreased) income statement and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | (Decrease)/increase in income statement | | | |
|---|---|---|---|---|
| | GROUP | GROUP | COMPANY | COMPANY |
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Euro(€) | 16,826 | 1,796 | 16,826 | 1,796 |
| GBP (£) | (6,920) | – | (6,920) | – |
| USD($) | (4,576,910) | (7,279,178) | (4,576,910) | (7,279,178) |

A fifteen percent (15%) weakening of the Naira against the above currencies would have had the equal but opposite effect on the above currencies to the magnitude of the amounts shown above, on the basis that all other variables remain constant.

## 33 Financial assets by category

The accounting policies for financial instruments have been applied to the line items below

| Assets | GROUP | GROUP | COMPANY | COMPANY |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Trade and other receivables | 20,907,048 | 17,733,887 | 57,882,675 | 54,628,911 |
| Cash and cash equivalents | 41,367,530 | 34,983,906 | 40,352,658 | 32,872,122 |
| | **62,274,578** | **52,717,793** | **98,235,333** | **87,501,033** |

## 34 Financial liabilities by category

| | GROUP | GROUP | COMPANY | COMPANY |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Liabilities** | 1,467,068 | 1,467,068 | – | – |
| Borrowings | 75,652,896 | 88,811 ,329 | 71,913,341 | 85,521,443 |
| Trade and other payables | 77,119,964 | 90,278,397 | 71,913,341 | 85,521,443 |

## 35 Related party information

### 35.1 Related parties and Nature of transactions

| | |
|---|---|
| Dangote Transport Services Limited | Fellow subsidiary company that provided haulage services prior to 2010 |
| Dangote Textile Industries Limited | Fellow subsidiary company that exchanges inventory of Automotive gas gas oil (AGO)and low pour fuel oil (LPFO) |
| Dansa Foods Limited | An entity controlled by key management personnel of the Company that has trading relationship with the Companv. |
| NASCON Allied Industries PLC | Fellow subsidiary from which the Company purchases raw salt as input in the production process |
| Dangote Nigeria Clearing Limited | Fellow subsidiary Company that Provides clearing and stevedoring services |
| Savannah Sugar Companv Limited | Subsidiary- Exchange of spare parts |
| Dangote Industries Limited | Parent company that provides management support and receives 7.5% of total reimbursables as management fees |
| Greenview Development Company Ltd | Fellow subsidiary - Property rentals |
| Dangote Nigeria Clearing Limited | Fellow subsidiary - clearing services |
| Dangote Cement Plc | Fellow subsidiary - exchange of diesel and LPFO |
| Dangote Flour Mills Plc | Fellow subsidiary -Supplies of power |
| Dangote Pasta Limited | Fellow subsidiary -Exchange of AGO LPFO |
| Dangote Noodles Limited | Fellow subsidiary- Exchange of AGO LPFO and sometimes buys sugar |
| Dangote Agrosacks Nigeria Limited | Fellow subsidiary- Supplies empty sacks for bagging of finished sugar |

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Related party transactions | | | | |
| **Sales of goods and services** | | | | |
| Dansa Foods Limited | – | 315,960 | – | 315,960 |
| Dangote Flour Mills PLC | 429,029 | – | 429,029 | – |
| Dangote Industries Limited | 183,040 | 107,977 | 183,040 | 107,977 |
| Dangote Noodles Limited | – | 15,795 | – | 15,795 |
| NASCON Allied Industries PLC | – | 1,207 | 10,728 | 1,207 |
| Greenview Development Company Limited | 66,332 | – | 66,332 | – |
| Dangote Foundation | 73,985 | 14,559 | 73,985 | 14,559 |
| Dangote Cement PLC lbeshe | 999 | 630 | 999 | 630 |
| | **753,385** | **456,128** | **764,113** | **456,128** |
| **Purchase of goods and services** | | | | |
| Dansa Foods Limited | – | 1,036 | – | 1,036 |
| Dangote Cement PLC | 5,140,029 | 1,044,396 | 5,140,029 | 1,008,126 |
| Greenview Development Company Limited | 1,526,527 | 2,115,731 | 1,526,527 | 2,115,731 |
| Dangote Agrosacks Nigeria Limited | 2,269,867 | 2,055,632 | 2,269,867 | 2,017,254 |
| Dangote Flour Mills PLC | – | 537,238 | – | 537,238 |
| Kura Holdings Limited | 21,848 | 23,790 | 21 ,848 | 23,790 |
| Dangote Oil and Gas Company Limited | 1,631,350 | – | 1,631,350 | – |
| OIL Strategic Supplies Limited | – | 665,431 | – | 665,431 |
| Dangote Cement PLC lbeshe | 4,325 | 630 | 4,325 | 630 |
| Bluestar Shipping Services Limited | 468,956 | 400,507 | 468,956 | 400,507 |
| Dangote Global Services Limited (UK) | 334,263 | – | 334,263 | – |
| NASCON Allied lndsutries PLC | 301 ,443 | 346,705 | 301,443 | 346,145 |
| Dancom Technologies Limited | 51,411 | 142,466 | 51,411 | 121 ,538 |
| Dangote Nigeria Clearing Limited | – | 85,887 | – | 85,887 |
| Dangote Nigeria Limited | 440 | – | 440 | – |
| Bluestar Clearing Limited | 83, 177 | – | 83,177 | – |
| Dangote Industries Limited | 857,937 | 461 | 857,937 | 461 |
| | **12,691,573** | **7,419,910** | **12,691,573** | **7,323,774** |
| **Management fees** | 687,338 | 938,237 | 687,338 | 938,237 |
| Dangote Industries Limited | **687,338** | **938,237** | **687,338** | **938,237** |

| Amount owed by related parties | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Dansa Foods Limited | 28,997 | 302,743 | 28,997 | 302,743 |
| Dangote Global Services Limited (UK) | 1,693,359 | 1,417,464 | 1,693,359 | 1,417,464 |
| Dangote Flour Mills PLC | 1,311,684 | 810,351 | 1,311 ,684 | 810,351 |
| Savannah Sugar Company Limited | – | – | 37,080,680 | 36,891 ,649 |
| Dangote Pasta Limited | 56,153 | 56,153 | 56,153 | 56,153 |
| Dangote Noodles Limited | 11,800 | 27,595 | 11,800 | 27,595 |
| NASCON Allied Industries PLC | 95,480 | – | 94,880 | – |
| Dangote Oil and Gas Company Limited | 1,011,316 | – | 1,011,316 | – |
| Dangote Sinotrucks Limited | 6,098 | – | 6,098 | – |
| Greenview Development Company Limited | – | 981 ,764 | – | 981,764 |
| Dangote Fertiliser Limited | 1,229,573 | 1,229,573 | 1,229,573 | 1,229,573 |
| Dancom Technologies Limited | 6,995 | – | 6,995 | |
| Dangote Port Operations Limited | – | 3 | – | 3 |
| AG Dangote Construction Limited | 1,537,930 | 811 ,710 | 1,537,930 | 811 ,710 |
| MHF Properties Limited | 3,036 | 4,957 | 3,036 | 4,957 |
| Dangote Nigeria Clearing Limited | 12,265 | – | 12,265 | – |
| Dangote Cement Limited Ghana | 6,643 | – | 6,643 | – |
| Dangote Rice Limited | 4,000 | – | 4,000 | – |
| Dangote Cement PLC | 913,125 | 881 ,621 | 913,125 | 881,621 |
| | **7,928,454** | **6,523,934** | **45,008,534** | **43,415,583** |

| Amount owed to related parties | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Dangote Cement PLC | 9,348,823 | 7,091,828 | 7,959,194 | 5,958,119 |
| Greenview Development Company Limited | 1,075,794 | 403,543 | 1,075,794 | 403,543 |
| Dangote Agrosacks Nigeria Limited | 333,865 | 128,527 | 237,466 | 128,387 |
| MHF Properties Limited | – | 1,922 | – | 1,922 |
| Kura Holdings Limited | 2,677 | 4,205 | 2,677 | 4,205 |
| OIL Strategic Supplies Limited | 109,309 | 313,837 | 39,609 | 239, 107 |
| Bluestar Shipping Services Limited | 198,182 | 163,642 | 198, 182 | 163,642 |
| NASCON Allied Industries PLC | 20 | 14, 196 | – | 13,636 |
| Dancom Technologies Limited | 20,547 | 34,991 | – | 24,489 |
| Dangote Nigeria Clearing Limited | 31,235 | 5,145 | 30,542 | 5,145 |
| Dangote Nigeria Limited | 440 | – | 440 | – |
| Dangote Foundation | 2,903 | 393 | 2,903 | 393 |
| Dangote Industries Limited | 5,016, 132 | 258,291 | 5,007,734 | 258,291 |
| | **16,139,927** | **8,420,520** | **14,554,541** | **7,200,879** |

**35·3** Sales of goods to related parties were made at the Company's usual market price without any discount to reflect the quantity of goods sold to related parties. Purchases were made at market price and there was no discount on all purchases.

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

Dangote Industries Limited (DIL) in recognition of the requirement of transfer pricing regulations that all transactions between connected taxable persons shall be carried out in a manner that is consistent with arm's length principle has come up with basis of computing its management fees and royalty taking into cognizance certain principles.

Royalty payment shall be made in addition to management fees payable from 1 January 2015 at the rate of 0.5% of the total revenue.

**Related party information**
The amount due from the holding company represents current account balances.

**35.4 Loans to and from related parties**
There are no related party loan as at 31 December 2017.

**35.5 Key Management Personnel**

**LIST OF DIRECTORS OF DSR**

| | | |
|---|---|---|
| 1 | Alh . Alika Dangote (GCON) | Chairman |
| 2 | Engr. Abdullahi Sule | Acting Group Managing Director |
| 3 | Alh. Sani Dangote | Board Member |
| 4 | Mr. Olakunle Alake | Board Member |
| 5 | Mr. Uzoma Nwankwo | Board Member |
| 6 | Ms. Bennedikter Molokwu | Board Member |
| 7 | Dr. Konyinsola Ajayi (SAN) | Board Member |
| 8 | Alh . Abdu Dantata | Board Member |
| 9 | Ms. Maryam Bashir | Board Member |

**LIST OF KEY MANAGEMENT STAFF**

| | | |
|---|---|---|
| 1 | Engr. Abdullahi Sule | Acting Group Managing Director |
| 2 | Mr. Mayroud El-Sunni | ED - Engineering and Operations |
| 3 | Engr. Braimah Ogunwale | General Manager, Refinery |
| 4 | Mr. Idowu Adenopo | Chief Internal Auditor |
| 5 | Mr. Nseobot Ekpe | General Manager, Supply Chain |
| 6 | Mr. Etim Bassey | Acting Chief Financial Officer |
| 7 | Mr. Abdulsalam Waya | Head Sales, North |
| 8 | Mr. Murtala Zubair | Head, Human Resources and Admin |
| 9 | Mr. Ade Lawal | Head, Risk Management |
| 10 | Mr. Ahmad T. Mohammad | Head Sales, Lagos and West |

### 35.6 Compensation to directors and other key management

| | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Short-term employee benefits | 145,582 | 145,582 | 137,257 | 137,257 |
| | **145,582** | **145,582** | **137,257** | **137,257** |

## 36 Employee costs

The following items are included within employee benefits expenses

| **Direct employee costs** | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Basic | 1,772,304 | 1,688,224 | 741,451 | 1, 197,456 |
| Bonus | 86,863 | 26,080 | 60,496 | – |
| Medical claims | 56,916 | 25,616 | 30,423 | – |
| Leave allowance | 102,843 | 97,265 | 72,004 | 70,302 |
| Short term benefits | 1,529,268 | 1,262,492 | 1,024,579 | 830,084 |
| Other short term costs | 448,093 | 10,589 | 448,093 | 6,350 |
| Pension | 159,217 | 142,537 | 109,262 | 96,766 |
| Termination benefits | 85 | – | – | – |
| | **4,155,589** | **3,252,803** | **2,486,308** | **2,200,958** |

| **Indirect employee costs** | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Basic | 742,644 | 1,065,571 | 441,132 | 725,630 |
| Bonus | 79,033 | 209,378 | 70 ,208 | 200,571 |
| Medical claims and allowance | 16,496 | 19,848 | 11,918 | 14,960 |
| NSITF and ITF levies | 23,241 | 98,953 | 6,868 | 72,099 |
| Short term benefits | 703,217 | 423,636 | 561 ,385 | 304,456 |
| Other short term costs | 426,082 | 113,462 | 376,587 | 88,533 |
| Pension | 65,771 | 56,718 | 65,771 | 40,305 |
| Termination benefits | 1,395 | 53 | – | – |
| | **2,057,879** | **1,987,619** | **1,533,868** | **1,446,554** |

| | | | | |
|---|---|---|---|---|
| Total employee costs | 4,155,589 | 3,252,803 | 2,486,308 | 2,200,958 |
| Direct employee cost | 2,057,879 | 1,987,619 | 1,533,868 | 1,446,554 |
| **Indirect employee cost** | **6,213,468** | **5,240,422** | **4,020,176** | **3,647,512** |

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

| | 31/12/2017 Number | 31/12/2016 Number | 31/12/2017 Number | 31/12/2016 Number |
|---|---|---|---|---|
| Management | 67 | 72 | 63 | 62 |
| Senior Staff | 345 | 356 | 222 | 229 |
| Junior Staff· | 1,009 | 991 | 393 | 393 |
| | **1,421** | **1,419** | **678** | **684** |

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

| | GROUP 2017 Number | GROUP 2018 Number | COMPANY 2017 Number | COMPANY 2018 Number |
|---|---|---|---|---|
| N200,000 - N300,000 | 1 | 1 | – | – |
| N600,001 - N700,000 | 70 | 68 | – | – |
| N700,001 - N800,000 | 178 | 176 | – | – |
| N800,001 - N900,000 | 107 | 105 | – | – |
| N900,001 - N1,000,000 | 72 | 71 | – | 1 |
| N1,000,001 - N2,000,000 | 320 | 328 | 45 | 53 |
| N2,000,001 - N3,000,000 | 180 | 183 | 156 | 159 |
| N3,000,001 - N4,000,000 | 163 | 164 | 147 | 148 |
| N4,000,001 - N5,000,000 | 99 | 101 | 99 | 101 |
| N5,000,001 - N6,000,000 | 48 | 47 | 48 | 47 |
| N6,000,001 - N7,000,000 | 37 | 33 | 37 | 33 |
| N7,000,001 - N8,000,000 | 44 | 43 | 44 | 43 |
| N8,000,001 - N9,000,000 | 25 | 18 | 25 | 18 |
| N9,000,001 - N10,000,000 | 20 | 15 | 20 | 15 |
| N10,000,001 and above | 57 | 66 | 57 | 66 |
| | **1,421** | **1,419** | **678** | **684** |

## 37 Directors' emoluments

| | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 | 31/12/2017 ₦'000 | 31/12/2016 ₦'000 |
|---|---|---|---|---|
| Fees | 24,500 | 16,500 | 24,500 | 16,500 |
| Salaries | 64,365 | 60,000 | 64,365 | 60,000 |
| Others | 175,913 | 120,757 | 175,913 | 120,757 |
| | **264,778** | **197,257** | **264,778** | **197,257** |
| Emoluments of the highest paid Director | 64,365 | 60,000 | 64,365 | 60,000 |

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

| **₦'000** | 31/12/2017 Number | 31/12/2016 Number | 31/12/2017 Number | 31/12/2016 Number |
|---|---|---|---|---|
| 0 - 19,000 | 8 | 7 | 8 | 7 |
| 32,000 and above | 1 | 1 | 1 | 1 |
| | **9** | **8** | **9** | **8** |

## 38 Events after the reporting period

There were no events after the reporting perod that could have had material effect on the financial statements of the Company as at 31 December 2017 that have not been taken into account in these financial statements.

**39 Capital Commitment**

As at 31 December, 2017, there were capital commitments in respect of the Lagos factory xpansion which amounted to N335 million (2016: N357 million)

**40 Contingent assets and Contingent liabilities**

There were no contingent assets and liabilities as at 31 December 2017 (2016: Nil)

**41 Approval of financial statements**

The Board approved the financial statements during its meeting of March 19, 2018.

## VALUE ADDED STATEMENT

| GROUP | | 2017 ₦'000 | 2017 % | 2016 ₦'000 | 2016 % |
|---|---|---|---|---|---|
| **Value Added** | | | | | |
| Revenue | | 204,422,379 | | 169,724,936 | |
| Bought - in materials and services | | (149,670,316) | | (143,556,977) | |
| Fair Value adjustment | | 2,468,411 | | 2,504,787 | |
| Other income | | 3,765,943 | | 1,309,114 | |
| | | **60,986,417** | **100** | **29,981,860** | **100** |
| **Value Distributed** | | | | | |
| **To Pay Employees** | | | | | |
| Salaries, wages, medical and other benefits | | 6,213,468 | | 5,240,422 | |
| | | **6,213,468** | **10** | **5,240,422** | **10** |
| **To Pay Providers of Capital** | | | | | |
| Finance costs | | (3,858,758) | | 343,190 | |
| | | **(3,858,758)** | **(6)** | **343,190** | **1** |
| **To Pay Government** | | | | | |
| Income tax | 12 | 17,147,035 | | 6,029,669 | |
| | | **17,147,035** | **28** | **6,029,669** | **20** |
| **To be retained in the business for expansion and future wealth creation:** | | | | | |
| **Value reinvested** | | | | | |
| Depreciation, amortisation and impairments | | 5,032,839 | | 4,783,814 | |
| Deferred tax | 12 | (3,331,772} | | (811,173} | |
| | | **1,701,067** | **3** | **3,972,641** | **13** |
| **Value retained** | | | | | |
| Retained profit | | 39,685,555 | | 14,386,076 | |
| Non-controlling interest | | 98,050 | | 9,862 | |
| | | **39,783,605** | **65** | **14,395,938** | **48** |
| **Total Value Distributed** | | **60,986,417** | **100** | **29,981,860** | **100** |

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

“Value added" is the measure of wealth the Group has created in its operations by "adding value" to the cost of products and services. The statement below summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out below is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations

# OTHER NATIONAL DISCLOSURES Cont'd

## VALUE ADDED STATEMENT

| COMPANY | | 2017 ₦'000 | 2017 % | 2016 ₦'000 | 2016 % |
|---|---|---|---|---|---|
| **Value Added** | | | | | |
| Revenue | | 198,120,639 | | 167,409,161 | |
| Bought - in materials and services | | (144, 135,627) | | (140,826,031) | |
| Fair Value adjustment | | – | | – | |
| Other income | | 3,560.490 | | 1,223,543 | |
| | | **57,545,502** | **100** | **27,806,673** | **100** |
| **Value Distributed** | | | | | |
| To Pay Employees | | | | | |
| Salaries , wages, medical and other benefits | | 4,020 , 176 | | 3,647 ,512 | |
| | | **4,020,176** | **7** | **3,647,512** | **13** |
| **To Pay Providers of Capital** | | | | | |
| Finance costs | | (4,504,538) | | 156,745 | |
| | | **(4,504,538)** | **(8)** | **156,745** | **1** |
| **To Pay Government** | | | | | |
| Income tax | 12 | 17,147,036 | | 6,029,669 | |
| | | **17,147,036** | **30** | **6,029,669** | **22** |
| **To be retained in the business for expansion and future wealth creation:** | | | | | |
| **Value reinvested** | | | | | |
| Depreciation, amortisation and impairments | | 3,146,881 | | 3,242,892 | |
| Deferred tax | 12 | (86 ,661) | | 531 ,162 | |
| | | 3,060,220 | **5** | 3,774,054 | **14** |
| **Value retained** | | | | | |
| Retained profit | | 37,822,608 | | 14,198,693 | |
| Non-controlling interest | | – | | – | |
| | | **37,822,608** | **66** | **14,198,693** | **51** |
| **Total Value Distributed** | | **57,545,502** | **100** | **27,806,673** | **100** |

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

"Value added" is the measure of wealth the Group has created in its operations by "adding value" to the cost of products and services. The statement below summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out below is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations.

### FIVE YEAR FINANCIAL SUMMARY

| Group as at December 31 , 2017 | GROUP 31/12/2017 ₦'000 | GROUP 31/12/2016 ₦'000 | GROUP 31/12/2015 ₦'000 | GROUP 31/12/2014 ₦'000 | GROUP 31/12/2013 ₦'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-current assets | 66,592 ,631 | 58,743,476 | 59,065,376 | 54,537,443 | 43,301,393 |
| Current assets | 127,619,176 | 112,561,335 | 42,302 ,121 | 37,399 ,211 | 40,458 ,839 |
| Assets of disposal groups held for sale | 868,642 | 864,647 | 864,647 | 864,647 | – |
| **Total assets** | **195,080,449** | **172,169,458** | **102,232,144** | **92,801,301** | **83,760,232** |
| **Liabilities** | | | | | |
| Non-current liabilities | 6,679,887 | 6,766,548 | 5,150,119 | 4,611,315 | 4,261,441 |
| Current liabilities | 95,664,927 | 99,250,880 | 39,325 ,933 | 36,776,266 | 32,520,850 |
| **Total liabilities** | **102,344,814** | **106,017,428** | **44,476,052** | **41,387,581** | **36,782,291** |
| **Equity** | | | | | |
| Share capital and premium | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 |
| Retained income | 80,577,948 | 54,092,393 | 45,706,317 | 39,288,074 | 34,838,649 |
| Non-controlling interest | (162,837) | (260,887) | (270,749) | (194,878) | (181,232) |
| Total equity | **92,735,635** | **66,1 52,030** | **57,756,092** | **51,413,720** | **46,977,941** |
| **Total equity and liabilities** | **195,080,449** | **172,169,458** | **102,232,144** | **92,801,301** | **83,760,232** |
| **Profit and loss account** | | | | | |
| Revenue | 204,422,379 | 169,724,936 | 101,057,905 | 94,855,203 | 103,153,735 |
| Profit before taxation | **53,598,868** | **19,614,434** | **16,155,609** | **15,273,152** | **16,265,159** |
| Profit for the year | **39,783,605** | **14,395,938** | **11,142,372** | **11,635,779** | **10,845,932** |
| **Per share data (Naira)** | | | | | |
| Earnings per share (Basic) | 3.31 | 1.20 | 0.93 | 0.97 | 0.90 |
| Earnings per share (Diluted) | 3.31 | 1.20 | 0.93 | 0.97 | 0.90 |
| Net assets per share | 7.73 | 5.51 | 4.81 | 4.28 | 3.91 |

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

### FIVE YEAR FINANCIAL SUMMARY

| Company as at December 31, 2017 | COMPANY 31/12/2017 ₦'000 | COMPANY 31/12/2016 ₦'000 | COMPANY 31/12/2015 ₦'000 | COMPANY 31/12/2014 ₦'000 | COMPANY 31/12/2013 ₦'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-current assets | 38,815,553 | 32,819,554 | 33,394,366 | 32,765,392 | 29,831,565 |
| Current assets | 156,380,468 | 141,909,778 | 72,412,320 | 63,657,765 | 60,768,238 |
| Assets of disposal groups held for sale | 868,642 | 864,647 | 864,647 | 864,647 | – |
| **Total assets** | **1 96,064,664** | **175,593,979** | **106,671,333** | **97,287,804** | **90,599,803** |
| **Liabilities** | | | | | |
| Non-current liabilities | 5,212,819 | 5,299,480 | 4,768,318 | 4,229,514 | 4,261,441 |
| Current liabilities | 91,644,488 | 95,709,749 | 35,516,958 | 34,532,088 | 32,520,850 |
| **Total liabilities** | **96,857,307** | **101,009,229** | **40,285,276** | **38,761,602** | **36,782,291** |
| **Equity** | | | | | |
| Share capital and premium | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 | 12,320,524 |
| Retained income | 86,886,834 | 62,264,226 | 54,065,533 | 46,205,678 | 41,496,988 |
| Total equity | **99,207,358** | **74,584,750** | **66,386,057** | **58,526,202** | **53,817,512** |
| **Total equity and liabilities** | **196,064,665** | **175,593,979** | **106,671,333** | **97,287,804** | **90,599,803** |
| **Profit and loss account** | | | | | |
| Revenue | 198,120,639 | 167,409,161 | 100,092,221 | 94,103,677 | 102,467,361 |
| **Profit before taxation** | **54,882,983** | **20,759,524** | **18,144,955** | **17,472,841** | **20,099,517** |
| **Profit for the year** | **37,822,608** | **14,198,693** | **12,659,855** | **11,908,690** | **13,537,612** |
| **Per share data (Naira)** | | | | | |
| Earnings per share (Basic) | 3.15 | 1.18 | 1.05 | 9.90 | 1.13 |
| Earnings per share (Diluted) | 3.15 | 1.18 | 1.05 | 9.90 | 1.13 |
| Net assets per share | 8.27 | 6.22 | 5.53 | 4.88 | 4.48 |

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

# MEMORABLE

DSR sponsored 2017 World Food Day Schools Quiz Competition

Overall winners trophies for Lagos State 2017 World Food Day Schools Quiz Competition.

2016 Dangote Foods Customer Awards/Gala Nite

2016 Staff Long Service Award Event

Tunga Sugar Project MOU signing Ceremony @ NSDC Hqtrs, Abuja

Niger State MOU signing Ceremony

# MOMENTS OF 2017

Nasarawa State Governor, Tanko Al Makura presenting Friend of the State Award to Alh. Aliko Dangote, GCON

Dangote Women Network DSR Chapter: End of the year donation to Apapa General Hospital

Savannah Sugar 2016 Annual General Meeting

Cross Section of shareholders @ 2016 AGM

2017 Customer Service Week Building Trust Awareness Session

Senate Committee Tour of Apapa Refinery

# Shareholding & Other Information

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of DANGOTE SUGAR REFINERY PLC. will hold at Zinnia Hall, Eko Hotels & Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Thursday, the 21st day of June, 2018 at 11:00 a.m. to transact the following:

**ORDINARY BUSINESS**

1. To receive the audited Financial Statements for the year ended 31st December, 2017, the Reports of the Directors, Auditors and the Audit Committee thereon;
2. To declare a Dividend;
3. To re-elect Directors;
4. To authorize the Directors to determine the remuneration of the Auditors;
5. To elect members of the Audit Committee.

**SPECIAL BUSINESS**

To consider and if thought fit, pass the following as Ordinary Resolution

6. To fix the remuneration of the Directors.

**NOTES:**

**Proxy**

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. A proxy need not be a member of the Company. A proxy form is enclosed and if it is to be valid for the Meeting, it must be completed and deposited at the office of the Registrars – Veritas Registrars Limited, Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos, not later than forty-eight (48) hours before the time for holding the Meeting. A blank proxy form is attached to the Annual Report.

**Closure of Register and Transfer Books**

The Register of Members and Transfer Books of the Company will be closed from Monday, the 16th day of April to Friday, the 20th day of April, 2018 both dates inclusive, for the purpose of updating the Register of Members.

**Dividend**

If the dividend recommended by the Directors is approved by members at the Annual General Meeting, it will be paid to the Shareholders whose names appear in the Company's Register of Members at the close of business on Friday, the 13th day of April, 2018.

Shareholders who have completed the e-dividend Mandate Form will receive a direct credit of the dividend to their bank accounts on Friday 22nd day of June, 2018.

**Unclaimed Share Certificates and Dividend Warrants**

All Shareholders are hereby informed that the Registrars of the Company are holding Share Certificates and Dividend Warrants which have been returned by the Post Office as "unclaimed". Some Dividend Warrants sent to Shareholders' registered addresses are yet to be presented for payment or returned to the Registrars of the Company for validation. All Shareholders are encouraged to complete e-dividend Mandate Form to ensure that all outstanding dividends are paid electronically.

**Audit Committee**

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

**E-Dividend**

Notice is hereby given to all Shareholders to open bank accounts for dividend payment. A detachable application form for e-dividend is attached to this Annual Report to enable all Shareholders furnish particulars of their accounts to the Registrars as soon as possible.

**E-Report**
To improve delivery of our Annual Report, a detachable Form has been inserted in the Annual Report, and hereby request Shareholders who wish to receive the Annual Report of the Company in an electronic format to complete and return the Form to the Registrars for further processing.

Also, our Annual Reports are available online for viewing and download from our website at www.dangotesugar.com.ng or Registrars' website at www.veritasregistrars.com

**Rights of Securities' Holders to Ask Questions.**
Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before Wednesday, 13th day of June, 2018.

**BY ORDER OF THE BOARD**

**CHIOMA MADUBUKO (MRS.)**
Company Secretary/Legal Adviser
FRC/2014/NBA/00000007451
3rd Floor, Greenview Development Nigeria Ltd. Building, Terminal "E" Apapa Port Complex.
Lagos, Nigeria.

Dated this 19th day of March, 2018.

## SHARE CAPITALISATION HISTORY

| Year | | | Authorised ['000] | Issued & Fully Paid Up [N'000] | | Issued & Fully Paid up ['000] | Consideration |
|---|---|---|---|---|---|---|---|
| | Increase | Cumulative | No. of Shares | Increase | Cumulative | No. of Shares | |
| 27-12-04 | 50,000 | 50,000 | 50,000 | 500 | 500 | 500 | Cash |
| 30-06-06 | — | 50,000 | 50,000 | 49,500 | 50,000 | 50,000 | Scheme Shares |
| 26-07-06 | 5,950,000 | 5,000,000 | 12,000,000 | 4,950,000 | 5,000,000 | 10,000,000 | Bonus & Stock Split from N1.00 to 50k |
| 27-03-08 | — | 5,000,000 | 12,000,000 | 1,000,000 | 6,000,000 | 12,000,000 | Bonus |

**Shareholding Information**
Your shareholding in Dangote Sugar Refinery Plc entitles you, as a part owner of the company, to certain rights including the right:-

- To attend, speak, vote at general meetings either in person or by proxy.
- To receive dividends when declared/approved on your ordinary shares
- To receive certain company documents, e.g the annual reports and accounts/the Annual General Meeting documents where applicable each year.

If you do not have your name on the shareholder register because you hold your shares through a nominee, your nominee will receive any company documents sent to shareholders. Please arrange with your nominee if you wish to receive such documents and to be able to attend and, on a poll, vote at general meetings.

**Financial Reports**
Any shareholder has the right to be furnished, on demand, free of charge, a copy of the company's financial statements. The annual report and financial statement is available for download on our website, www.dangotesugar.com.ng, or the Registrars' website www.veritasregistrars.com.

**E-Report**
To improve delivery of our Annual Report, a detachable Form has been inserted in the Annual Report, and hereby request Shareholders who wish to receive the Annual Report of the Company in an electronic format to complete and return the Form to the Registrars for further processing.

**Share Certificates**
Your Dangote Sugar Refinery Plc Share certificate is evidence of your shareholding in the company and should be kept in a safe place. If you hold your shares through a nominee account or through the Central Securities Clearing System (CSCS) you will not have a share certificate. The nominal or 'par' value of a Company's shares is shown on the share certificate. The current nominal value of Dangote Sugar Refinery Plc's one ordinary shares is 50k each.

**Shareholder Queries**
If you have any questions about your shareholding or share certificates, (including the replacement of lost certificates or the consolidation of several certificates into one); or if you require any other guidance (e.g. to notify a change of address or to give dividend instructions to a bank account), please contact our Registrars at: -

**VERITAS Registrars Limited**
**Plot 89A Ajose Adeogun Street,**
**P. O Box 75315**
**Victoria Island**
**Lagos**

**Unclaimed Dividends and Share Certificates**
Shareholders have been informed that some dividend warrants and share certificates have been returned to the Registrars' office unclaimed, because the addresses could not be traced. The unclaimed dividend list is published on the website, www.dangotesugar.com.ng, for the shareholders attention. Affected shareholders should please contact the Registrars at the address indicated above in respect of the share certificates, and unclaimed dividends.

**CHANGES IN PERSONAL CIRCUMSTANCES**
All shareholders should advise the Registrars in writing of any of the following: -

- Change of address
- Change of name
- Change in bank details if your dividends are mandated
- If a shareholder dies

## SHAREHOLDER RELATIONS/CORPORATE CONTACTS

**Registrars**
VERITAS REGISTRARS LIMITED
PLOT 89A, AJOSE ADEOGUN STREET,
VICTORIA ISLAND,
LAGOS

**Company Secretary and Registered Office**
Dangote Sugar Refinery Plc
3rd Floor, GDNL Building
Terminal E, Shed 20
NPA Wharf Port Complex
Apapa, Lagos
mydsr.shares@dangote.com
srefinery@dangote.com
www.dangotesugar.com.ng

**Corporate Communications Contact**
Ngozi Ngene
+234 80714 90714
+234 81509 83259
ngozi.ngene@dangote.com
dangotesugar@dangotesugar.com.ng

## E-REPORTS

DANGOTE SUGAR

I/we hereby request that we recieve the Annual Report of the Company in electronic format through:

E-mail address

Surname/Company's name

Other name

Address

Date

Shareholder’s Signature/Thumbprint

*tear off*

VERITAS REGISTRARS
(formerly Zenith Registrars)

Plot 89A, Ajose Adeogun Street, P.O Box 75315, Victoria Island, Lagos
Telephone: (01) 2708930-4, 2784167-8; Fax:(01)2704085
enquiry@veritasregistrars.com;
www.veritasregistrars.com

# e-DIVIDEND MANDATE FORM

Affix Passport Photograph
(to be stamped by the Bank)

I/We hereby request that from now, all dividends due to me/us from my/our shareholding in companies indicated be credited to my/our bank account named below:

/ /

| Please tick as applicable | |
|---|---|
| DANGOTE SUGAR | |
| FORTE OIL | |
| GUINNESS NIGERIA | |
| MAY & BAKER | |
| ZENITH BANK | |

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Poster Address

City

State

E-mail Address

Mobile (GSM) Phone Number

Clearing House Number

Bank Name

Branch Address

Bank Account Number

Bank Sort Code

Shareholder's Signature or Thumbprint

Date account was established:

Company Seal/Incorporation No. (Corporate Shareholder)

**For Bank's use only**

Authorised Signature and Stamp of Bankers

**Date account was established:**

/ /

Authorised Signature and Stamp of Bankers

**The Registrars**
**VERITAS Registrars Limited**
**Plot 89A Ajose Adeogun Street,**
**P. O Box 75315**
**Victoria Island**
**Lagos**

## UNCLAIMED DIVIDEND POSITION
AS AT DECEMBER 31, 2017



The Company has been declaring Dividend since it became a public Company in March, 2007. Currently, the dividend account indicates that some dividend warrants have not been presented to the Bank for payment, while others were returned to the Registrar unclaimed, because the addresses have changed or could not be traced.

| FINANCIAL YEAR | DIVIDEND NO. | FINAL/INTERIM | TOTAL DIVIDEND (N) | NET AMOUNT UNCLAIMED AS AT 31/12/2017 |
|---|---|---|---|---|
| 04/11/2007 | 1 | FINAL | 11,388,819,816.78 | 817,299.43 |
| 04/27/2007 | 2 | INTERIM 1 | 3,433,139,219.03 | 452,022.39 |
| 09/09/2007 | 3 | INTERIM 2 | 3,257,223,236.85 | 625,042.31 |
| 10/31/2007 | 4 | INTERIM 3 | 3,192,370,844.23 | 402,178.61 |
| 04/09/2008 | 5 | HALF YEAR INTERIM | 5,000,000,000.00 | 367,645.09 |
| 09/08/2008 | 6 | FINAL | 10,200,000,000.00 | 2,035,663.57 |
| 07/03/2009 | 7 | FINAL | 3,780,813,535.25 | 12,217,290.73 |
| 07/30/2010 | 8 | FINAL | 10,800,000,000.00 | 35,427,004.33 |
| 05/25/2011 | 9 | FINAL | 6,480,000,000.00 | 3,110,630.35 |
| 05/18/2012 | 10 | FINAL | 3,240,000,000.00 | 51,999,325.75 |
| 05/14/2013 | 11 | FINAL | 7,200,000,000.00 | 54,905,163.42 |
| 05/27/2014 | 12 | FINAL | 7,200,000,000.00 | 63,038,535.03 |
| 31/1 2/2015 | 13 | FINAL | 4,800,000,000.00 | 76,875,896.49 |
| 31/12/2016 | 14 | FINAL | 7,200,000,000.00 | 83,142,862.97 |

All affected shareholders are requested to update their details and fill the mandate for e-dividend payment in the annual report or please contact: -

**THE REGISTRAR**
**VERITAS Registrars Limited**
**PLOT 89A, AJOSE ADEOGUN STREET**
**VICTORIA ISLAND**
**LAGOS.**

note

# PROXY FORM
# DANGOTE SUGAR REFINERY PLC. RC: 613748

### TWELFTH ANNUAL GENERAL MEETING TO BE HELD AT ZINNIA HALL, EKO HOTEL & SUITES, VICTORIA ISLAND, LAGOS, ON THURSDAY, THE 21ST DAY OF JUNE 2018, AT 11A.M PROMPT.

I/WE……………………………of ………………………..being a shareholder of Dangote Sugar Refinery Plc. hereby appoint…………………….. or failing him/her/it ……………or …………………….. as my/our Proxy to act and vote for me/us on my/our behalf at the 12th Annual General Meeting to be held on Thursday, the 21st day of June, 2018, and at any adjournment thereof.

DATED THIS ................... DAY OF .................................. 2018 SHAREHOLDER'S SIGNATURE ........................................................

| | NO. | ORDINARY BUSINESS | FOR | AGAINST |
|---|---|---|---|---|
| I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside (strike out whichever is not required). | 1. | To receive the audited Financial Statements for the year ended 31st December, 2017, the Reports of Directors, Auditors, and the Audit Committee thereon; | | |
| | 2. | To declare a dividend | | |
| | 3. | To re-elect the following retiring Directors<br>• Dr. Konyinsola Ajayi, SAN<br>• Alhaji Sani Dangote<br>• Alhaji Abdu Dantata | | |
| | 4. | To authorize the Directors to fix the remuneration of the Auditors. | | |
| | 5. | To elect the members of the Audit Committee | | |
| | 6. | **SPECIAL BUSINESS**<br>To approve the remuneration of all the non – executive Directors for the year ended December 31, 2018, totaling N28 million | | |

Please indicate with an **"X"** in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

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

**NOTE**

I. A member (shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. All proxy forms should be deposited at the registered office of the Registrar (as in notice) not later than 48 hours before the meeting.
ii. In the case of Joint Shareholders, any of them may complete the form, but the names of all Joint Shareholders must be stated.
iii. If the shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some officers or an attorney duly authorised.
iv. The Proxy must produce the Admission Card sent with the Notice of the meeting to gain entrance to the meeting.
v. It is a legal requirement that all instruments of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear appropriate stamp duty from the Stamp Duties office (not adhesive postage stamps).

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

**ADMISSION CARD**

NAME AND ADDRESS OF SHAREHOLDER(S): 

NUMBER OF SHARES HELD 

Please admit……………………………….. …………………….. to the 12th Annual General Meeting of Dangote Sugar Refinery Plc, to be held at Zinnia Hall, Eko Hotel & Suites, Victoria Island, Lagos, on Thursday, 21st day of June, 2018 at 11a.m prompt.

Signature of person attending: …………………………………………..

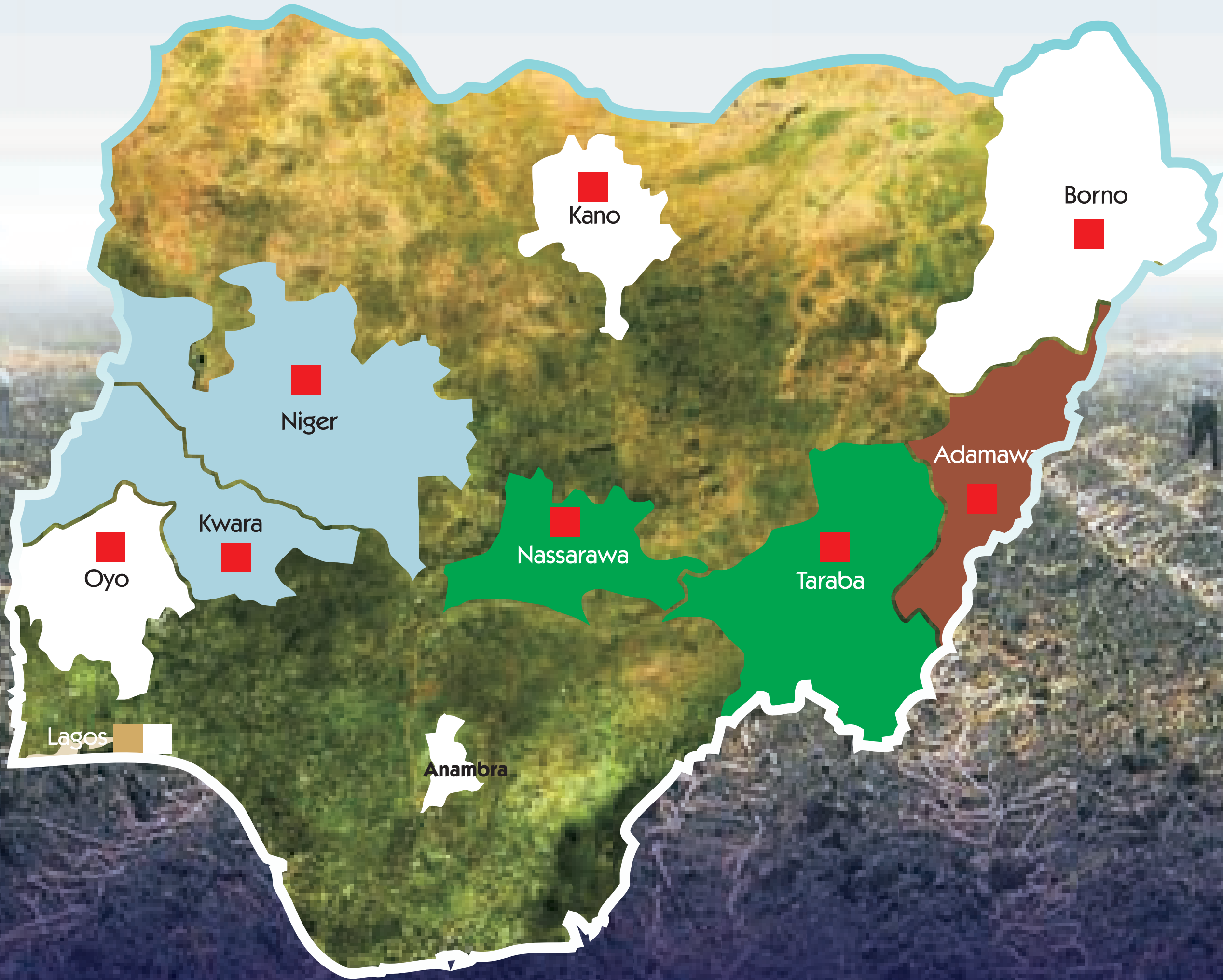
- The Shareholder or his /her proxy should produce this admission card in order to obtain entrance to the Annual General Meeting.
- You are requested to sign this card at the entrance in the presence of the Company Secretary or her Nominee on the day of the Annual General Meeting.

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

**COMPANY SECRETARY**

**The Registrars**
**VERITAS Registrars Limited**
**Plot 89A Ajose Adeogun Street,**
**P. O Box 75315**
**Victoria Island**
**Lagos**

# DSR LOCATIONS AND BIP SITES




DANGOTE
SUGAR


HEAD OFFICE:
3rd Floor, GDNL Administrative Building, Terminal E Shed 20 NPA Wharf Complex, Apapa, Lagos
Tel: +234 1 7641311, +234 815 098 3259
Email: srefinery@dangote.com | dangotesugar@dangotesugar.com.ng

FACTORY/REFINERY:
Shed 20, Apapa Wharf, Lagos

www.dangotesugar.com.ng  dangotesugarrefinery  @dangote_sugar