Final version

ALUMINIUM SMELTER COMPANY OF NIGERIA PLC

Financial Statements -- 31 December 2011

Together with Directors' and Auditor's Reports

Financial Statements

For the year ended 31 December 2011

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Corporate Information

Directors:	
Mr. Anatoly Polovov	Managing Director
Mr. Alexey Arnautov	
Ms. Bolanle Onagoruwa	
Mr. Muhammad Dikko A.	(Alternate Director)
Mr. Sergey Chestnoy	
Mr. Viktor Mann	
Mr Denis Polyakov	
Company Secretary:	Mr.Magaji Ibrahim Alu-Plant Ikot Abasi Akwa Ibom State
Principal Solicitors:	Paul Usoro & Co 3rd Floor Plot 1668B,Oyin Jolayemi Street P.O.Box 71605 Victoria Island Lagos
Registered Office:	Alu-Plant Ikot Abasi Akwa Ibom State
Auditors:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Victoria Island Lagos
Principal Bankers:	Guaranty Trust Bank Plc Zenith Bank Plc Finbank Plc United Bank for Africa Plc

Directors' Report
For the year ended 31 December 2011

The directors present their annual report on the affairs of ALUMINIUM SMELTER COMPANY OF NIGERIA PLC

("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2011.

Legal Form and Principal Activity

The Company was incorporated on 24 November 1989 as a Private Limited Liability Company to engage in the production and sale of aluminium ingots. The Company has an integrated Aluminium Smelter Plant in Ikot Abasi. Test production of aluminium ingots commenced in October 1997 and actual production and sales started in 1998. The Company however, suspended operations in 1999 due to insuffficent working capital.

The Company was converted to a Public Limited Liability Company on 10 May 2004 in preparation for the privatisation exercise.

Privatisation

The Federal Government of Nigeria, as represented by Ministry of Finance Incorporated through the Bureau of Public Enterprises (BPE) sold 77.5% of its initial 92.5% shareholding in the Company. The sale was made to DAYSON HOLDING, LIMITED (DAYSON), a member of the RUSAL Group. The Share Sale and Purchase Agreement (SPA) between BPE and DAYSON was signed on 3 February 2006 following which DAYSON took over the management of the Company. In addition, Ferrostal AG sold its 7.5% shares in the Company to Dayson. DAYSON now owns 85% of the shares of the Company.

As part of the undertaking of the parties for the sale of the Company's shares to DAYSON, all outstanding liabilities of the Company to all third parties including but not limited to tax liabilities, trade payables, unpaid pension liabilities, outstanding redundancy or severance payments to laid off employees and bank debts shall be paid out by or written off at the expense of the BPE and at no expense to the Company.

Business Review

The Company continues to provide aluminium ingots processing services to RTI LIMITED, a member of the RUSAL Group, under a tolling agreement. The Company produced 14,920 metric tonnes of ingots during the year as against 17,541 metric tonnes in prior year. This is reflected in the Company's turnover which decreased by 15% from ₦4.6 billion in 2010 to ₦3.9 billion in 2011. In the 1st quarter of 2011, the Company experienced production downtime as a result of total cessation in the supply of gas which resulted to the loss of some operational pots.

Loss before taxation decreased by 94% from ₦4.5billion in 2010 to ₦0.27 billion in 2011. The decrease is mainly as a result of decrease in cost of sales which resulted from write-back of prior year cost of sales adjustment and inventory adjustment passed during the year to correctly state the cost of sales and storeroom supplies (Note 3(b)).

Operating Results

The following is a summary of the Company's operating results:

	2011	2010
	₦'000	₦'000
Turnover	3,953,855	4,611,039
Loss before taxation	(274,250)	(4,502,480)
Taxation	-	-
Loss after taxation	(274,250)	(4,502,480)
Loss per share	(0.02)	(0.33)

No dividend is proposed by the directors (2010: Nil).

Directors and their Interests

The directors who served during the year were as follows:

Name	Nationality	Date Appointed/ (Resigned)
Mr. Anatoly Polovov	Russian	
Mr. Alexey Arnautov	Russian	
Mr. Sergey Chestnoy	Russian	
Mr. Viktor Mann	Russian	
Ms. Bolanle Onagoruwa		
Mr Denis Polyakov	Russian	28 April 2011
Mr Muhammad Dikko A. (Alternate)		6 April 2011
Mallam Baba Mohammed (Alternate)		(6 April 2011)

The directors indicate that they do not have any interest required to be disclosed under section 275 of the Companies and Allied Matters Act of Nigeria.

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.

Shareholding Structure

The Company's shareholding structure is as follows:

	31 December 2011			31 December 2010		
	%	No of shares	Value ₦'000	%	No of shares	Value ₦'000
DAYSON HOLDING LTD	85	11,571,787,800	5,785,894	85	11,571,787,800	5,785,894
Ministry of Finance Incorporated	15	2,042,080,200	1,021,040	15	2,042,080,200	1,021,040
	100	13,613,868,000	6,806,934	100	13,613,868,000	6,806,934

Fixed Assets

Information relating to changes in fixed assets is as disclosed in Note 8 to the financial statements.

Donations and Gifts

No donation was made to charitable organisations during the year. In accordance with section 38 (2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2010: Nil).

Employment and Employees

(a) ***Employment Consultation***

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented,when and where necessary, with external and overseas training for its employees. This has broadened opportunities for career development within the organisation.

(b) *Dissemination of Information*

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives and publishing of updated information on the billboards on the territory of the plant.

In order to maintain shared perception of our goals, we are committed to communicating information to employees in as fast and effective a manner as possible. We consider this critical to the maintenance of team spirit and high employee morale.

(c) *Employee Health, Safety and Welfare*
The Company places a high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees.

The Company has a well-established Environmental Health and Safety (EH&S) management system, which formalises EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations.

(d) *Employment of Physically challenged Persons*
The Company has no physically challenged persons in its employment. However, applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

Social responsibility Programme
The Company regards its responsibilities to local stakeholders as a fundamental part of its operations in Nigeria. In compliance with the Memorandum of Understanding (MOU) signed with Akwa Ibom State Government, social projects are being implemented in the areas of Health, Education, and Youth & Sports. In addition, the Company has continued to give free electricity to Ikot Abasi Urban community which has a significant impact on the social and business environment.

Future Developments
The Company is a member of the RUSAL Group, the largest aluminium conglomerate, around the globe. In order to meet its strategic plan and business development, the Company had invested massively in the modernisation of the key production and ancillary facilities. The Company is planning to put 150 pots into production in the year 2012, if the supply of gas to the plant is sustained by the Nigerian Gas Company.

Auditors
In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria, Messrs KPMG Professional Services, have indicated their willingness to continue in office as auditors for the year 2012.

Alu-Plant Ikot Abasi, Nigeria
2012 Company Secretary

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2011.

The directors accept responsibility for the preparation of the annual financial statements set out on pages 8 to 24 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature	Signature
Name	Name
Date	Date

INDEPENDENT AUDITOR'S REPORT
To the members of **ALUMINIUM SMELTER COMPANY OF NIGERIA PLC**

Report on the Financial Statements
We have audited the accompanying financial statements of **ALUMINIUM SMELTER COMPANY OF NIGERIA PLC**, ("the Company"), which comprise the profit and loss account, balance sheet as at 31 December 2011, cash flow statement and value added statement for the year then ended, the statement of accounting policies, notes to the financial statements and the five year financial summary, as set out on pages 8 to 24.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Basis for Qualified opinion
Butts
Included in stocks are butts, carried at ₦0.4 billion as at 31 December 2011. We were not provided with sufficient appropriate audit evidence about the physical quantities of butts. We were also unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence due to the inability of the Company to physically verify the quantity of butts. Consequently, we were unable to determine whether any adjustment to this balance is necessary.

Storeroom Supplies
Included in stocks are Storeroom supplies carried at ₦5.9 billion as at 31 December 2011. We were not provided with sufficient appropriate audit evidence as to the need to recognise a provision for stock obsolescence irrespective of the fact that some of the items have remained unused for several years. We were also unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence due to the inability of the company to determine stock obsolescence. Consequently, we were unable to determine whether any adjustment to this balance is necessary.

Supreme Court Judgement
On 6 July 2012, the Supreme Court of Nigeria unanimously voided the sale of ALSCON to Dayson Holding Limited and upheld BFI Group (a Nigeria-American consortium) as the winner of the bid for ALSCON in 2004. The judgment casts doubts on the ownership of the Company by Dayson Holding Limited. This uncertainty has not been disclosed in the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the first two matters and the effect of the non-disclosure described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of fairs of ALUMINIUM SMELTER COMPANY OF NIGERIA PLC as at 31 December 2011, and of its operating results and cash flows for the year then ended in accordance with statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

Report on Other Legal and Regulatory Requirements
Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of account.

Lagos, Nigeria

Statement of Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding years, is set out below.

(a) **Basis of Accounting**

These financial statements are prepared in accordance with generally accepted accounting principles in Nigeria on the basis of historical cost convention as modified by the revaluation of certain buildings, plant, equipment, furniture and motor vehicles and under the assumption that the Company will continue as a going concern (Note 24).

(b) **Turnover**

Turnover represents the net value of products and services provided by the Company in the normal course of business net of discounts allowed.

(c) **Fixed Assets**

Fixed assets are stated at cost/revaluation less accumulated depreciation.

Expenditure incurred subsequent to the acquisition of fixed assets is capitalised if it is deemed to:

i. prolong the expected useful life of the assets
ii improve significantly the performance of the assets; or
iii enhance the quality of the output of the assets

Costs relating to fixed assets under construction, or in the process of installation are disclosed as construction in progress. The attributable cost of each asset is transferred to the relevant category immediately the asset is available for use.

Depreciation is provided at rates calculated to write off the gross value, less estimated residual value, of each asset on a straight line basis over its estimated useful life. In the case of revalued assets, depreciation is calculated by reference to the enhanced value of the assets. The annual rates used are as follows:

Asset Category		Depreciation Rate
Land and Buildings	-	2% per annum
Plant, machinery and equipment	-	10% per annum
Office equipment	-	20% per annum
Household equipment and furniture	-	20% per annum
Motor vehicles	-	20% per annum
Construction in progress is not depreciated		

Gains or losses on the disposal of fixed assets are included in the profit and loss account.

(d) **Intangible Assets**

Intangible assets represent costs incurred in obtaining technical information relating to the original construction of the Smelter Plant and the Company's accounting software. Intangible assets is measured at cost less accumulated amortisation. Amortisation is based on the cost of the asset less its estimated residual value over its estimated useful life. Amortisation is recognised in the profit and loss on a straight line basis over 10 years.

(e) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost includes costs incurred in bringing each product to its present location and condition.

Cost of stocks is determined on a weighted average basis. Weighted average costs are periodically reviewed to ensure that it consistently approximates historical costs. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and/or disposal. Allowance is made for obsolete, slow moving and defective items.

(f) **Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded in Naira at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported in Naira at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates, subsequent to the dates of transactions, is included as an exchange gain or loss in the profit and loss account.

(g) **Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and cash balances with banks.

(h) **Employees' End of Service Benefits**

The Company operates a gratuity scheme and a pension fund scheme for the benefit of all its employees.

i. *Gratuity Scheme:*
The Company has an obligation in respect of a non-contributory staff gratuity scheme to its employees. The gratuity scheme is accrued over the service life of the employees and fully recorded as a liability in the financial statements. Benefits payable to employees on retirement or resignation are accrued for under an annualised defined benefit plan.

ii. *Pension Fund Scheme:*
In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme. Both the Company and the employees contribute a total of 25% of the employees' annual emoluments (Basic, Housing,Transport, and Utility). The Company's contribution (19%) is charged to profit and loss account whilst the employees' contribution is funded through payroll deduction.

(i) **Provisions**

A provision is recognised only if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) **Taxation**

The Company operates within the Export Free Zone, Ikot Abasi, Akwa Ibom State and consequently exempted from Company Income Tax and other related taxes by virtue of the provisions of the Nigeria Export Processing Zones Act, Cap N107, 2004.

(k) **Impairment**

The carrying value of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

(l) **Segment Reporting**

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business and geographical segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. See Note 25 for the impact of this policy.

Profit and Loss

For the year ended 31 December 2011

	Notes	2011 ₦'000	2010 ₦'000
TURNOVER	1	3,953,855	4,611,039
Cost of sales	2	(4,186,711)	(6,025,745)
		(232,856)	(1,414,706)
Administrative expenses	3 (a)	(2,429,549)	(3,158,021)
OPERATING LOSS		(2,662,405)	(4,572,727)
Other income	4	103,353	70,247
Exceptional item	3 (b)	2,284,802	-
LOSS BEFORE TAXATION	5	(274,250)	(4,502,480)
Taxation	6	-	-
LOSS AFTER TAXATION		(274,250)	(4,502,480)
APPROPRIATION			
Transfer to general reserves	18	(274,250)	(4,502,480)
		(274,250)	(4,502,480)
Loss per share	7	(0.02)	(0.33)

The accounting policies on pages 8 to 10 and accompanying notes on pages 14 to 22 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2011

	Notes	2011	2010
		N'000	N'000
NON-CURRENT ASSETS:			
Fixed assets	8	21,997,147	24,088,822
Intangible assets	9	125,650	127,064
TOTAL NON-CURRENT ASSETS		22,122,797	24,215,886
CURRENT ASSETS:			
Stocks	10	12,203,535	8,018,024
Other debtors and prepayments	11	611,149	481,255
Due from related party	12	2,861,825	834,363
Cash at bank and in hand		94,567	208,870
TOTAL CURRENT ASSETS		15,771,076	9,542,512
CURRENT LIABILITIES;			
Creditors falling due within one year			
Creditors and accruals	13	(941,454)	(777,226)
Due to related parties	14(a)	(707,568)	(359,084)
Short term loans	14(b)	(21,348,347)	(17,513,077)
NET CURRENT LIABILITIES		(7,226,293)	(9,106,875)
TOTAL ASSETS LESS CURRENT LIABILITIES		14,896,504	15,109,011
NON-CURRENT LIABILITIES;			
Creditors falling due after one year			
Provision for end of service benefits	15	(321,840)	(260,097)
NET ASSETS		14,574,664	14,848,914
CAPITAL AND RESERVES			
Share capital	16	6,806,934	6,806,934
Share premium	17	163,700,451	163,700,451
General reserves	18	(164,720,799)	(164,446,549)
Revaluation reserves	19	8,788,078	8,788,078
TOTAL EQUITY		14,574,664	14,848,914

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

....

Directors

....

Approved by the Board of Directors
on 2012

The accounting policies on pages 8 to 10 and accompanying notes on pages 14 to 22 form an integra part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2011

	Notes	2011 ₦'000	2010 ₦'000
OPERATING ACTIVITES			
Operating loss before working capital changes	20	2,769,431	(2,242,416)
Working capital changes	21	(5,830,155)	(562,294)
VAT Paid		-	-
Net cash outflow from operating activities		(3,060,724)	(2,804,710)
INVESTING ACTIVITIES			
Purchase of fixed assets		(65,278)	(123,577)
Acquisition of intangible assets		(30,723)	-
Net cash outflow from investing activities		(96,001)	(123,577)
FINANCING ACTIVITIES			
Loan from related parties	14(b)(i)	3,042,422	3,537,380
Loan repayment to related party	14(b)(i)	-	(433,752)
Net cash inflow from financing activities		3,042,422	3,103,628
Net (decrease)/Increase in cash at bank and in hand		(114,303)	175,341
Cash at bank and in hand, beginning of year		208,870	33,529
Cash at bank and in hand, end of year		94,567	208,870

The accounting policies on pages 8 to 10 and accompanying notes on pages 14 to 22 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2011

1 **Turnover**

Turnover represents the invoiced value of aluminium ingots sold to customers during the year, including those produced under the tolling agreement.

2 **Cost of sales**

Cost of sales represents the cost of aluminium ingots produced and sold during the year, including those produced under the tolling contract. Cost of sales comprise:

	2011	2010
	₦'000	₦'000
Staff cost	982,036	1,062,073
Depreciation	996,656	700,042
Raw materials	1,631,836	3,439,588
Maintenance expenses	485,028	737,115
Other expenses	91,155	86,927
	4,186,711	6,025,745

3 (a) **Administrative expenses**

Administrative expenses comprise:

	2011	2010
	₦'000	₦'000
Staff costs	586,464	827,188
Office expenses and periodicals	118,494	209,016
Utilities	23,345	76,902
Medical expenses	15,268	48,054
Travel and freight expenses	126,759	177,624
Professional and consultancy fees	213,183	261,481
Bank charges	15,418	56,285
Maintenance expenses	40,898	36,578
Depreciation	926,679	1,186,971
Business licenses	15,897	8,804
Board expenses	192	900
Insurance	25,943	35,727
Foreign exchange loss, net	199,794	90,055
General expenses	121,215	142,436
	2,429,549	3,158,021

3 (b) **Exceptional Item**

Exceptional Item relates to an inventory adjustment to correctly state the cost of spares and storeroom supplies as at end of year following an elaborate inventory count and reconciliation exercise carried out by the Company during the year.

4 **Other income**

Other income comprise:

	2011	2010
	₦'000	₦'000
Sundry income (Note (a))	103,353	70,247
	103,353	70,247

(a) Included in sundry income are amounts earned from flat lease rentals amounting to ₦103.4 million during the year. (2010: ₦70.2 million).

5 **Loss before taxation**

Loss before taxation is stated after charging:

	2011	2010
	₦'000	₦'000
Depreciation of fixed assets	1,923,335	1,887,013
Amortisation of intangible assets	32,137	7,318
Auditor's remuneration	14,839	13,380
Foreign exchange loss, net	199,794	90,055
Staff costs (Note 5(a))	1,568,500	1,889,261

(a) Staff costs and directors' remuneration:

(i) Staff costs and directors' remuneration during the year comprise:

	2011	2010
	₦'000	₦'000
Salaries and wages	1,307,879	1,478,052
Pension contribution	198,878	151,112
Provision for end of service benefits (Note 15 (a))	61,743	260,097
	1,568,500	1,889,261

(ii) The average number of full-time persons employed by the Company during the year was as follows:

	2011	2010
	Number	Number
	772	776
	772	776

(iii) Higher-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in excess of ₦60,000 (excluding pension contributions, gratuity and other allowances) as follows:

	2011	2010
	Number	Number
₦ 60,001 - ₦ 420,000	8	6
₦ 420,001 - ₦ 920,000	265	267
₦ 920,001 - ₦ 1,420,000	315	318
₦ 1,420,001 and above	184	185
	772	776

(iv) The directors did not receive any remuneration during the year (2010: Nil).

6 **Taxation**

The Company has been registered and is licensed to operate as an Export Processing factory under the Nigeria Export Processing Zones Act, Cap N107, 2004. The Company, under the Export Processing licence is exempted from all Federal, State and Local Government taxes, levies and rates, and because of the exemptions, no provision is required for income or deferred taxation in these financial statements.

7 **Loss Per Share**

Loss per share is based on the loss after taxation of ₦274,250,000 (2010: ₦4,502,480,000) and on 13,613,868,000 ordinary shares of 50k each in issue during the year (2010:13,613,868,000).

8 Fixed Assets

(a) The movement on these accounts during the year was as follows:

	Land & Buildings N'000	Plant,Machinery & Equipment N'000	Household Equip.& Furn. N'000	Motor Vehicles N'000	Construction in Progress N'000	Total N'000
COST/ VALUATION:						
Beginning of year	14,714,990	16,226,184	28,357	482,850	248,090	31,700,471
Additions	-	25,527	-	36,085	3,666	65,278
Reclassification (Note 8(d))	14,473	-	-	-	(14,473)	-
Write off (Note 8(e))	-	-	-	-	(233,618)	(233,618)
End of year	14,729,463	16,251,711	28,357	518,935	3,665	31,532,131
DEPRECIATION:						
Beginning of year	1,806,492	5,531,928	17,968	255,261	-	7,611,649
Charge for the year	455,064	1,405,029	5,671	57,571	-	1,923,335
End of year	2,261,556	6,936,957	23,639	312,832	-	9,534,984
NET BOOK VALUE:						
End of year	12,467,907	9,314,754	4,718	206,103	3,665	21,997,147
Beginning of year	12,908,498	10,694,256	10,389	227,589	248,090	24,088,822

(b) Construction in progress represents value of fixed assets in the process of installation.

(c) Fixed assets were professionally re-valued as at 1 January 2007 by ZAO Deloitte and Touche CIS, Moscow, Russia on a fair value basis. The new values were incorporated in the books on 1 January 2007. The deficit arising on the revaluation was taken to profit and loss account for that year while the surplus was credited to the fixed assets revaluation reserve. Subsequent additions to fixed assets have been stated at cost.

(d) Reclassification represents fixed assets amounting to ₦14.47 million in respect of military sites constructed to house military personnel guarding ALSCON premises. Construction was concluded in 2011.

(e) Items written-off construction in progress relate to certain direct overhead costs incurred during the modernisation of the plant which cannot be allocated to completed asset items.

(f) In the opinion of the directors, the Company's fixed assets are not impaired.

9 **Intangible assets**

The movement in intangible assets during the year was as follows:

	2011	2010
	₦'000	₦'000
Cost:		
Beginning of year	146,356	146,356
Additions during the year	30,723	-
End of year	177,079	146,356
Amortisation:		
Beginning of year	19,292	11,974
Amortisation during the year	32,137	7,318
End of year	51,429	19,292
Carrying value, end of year	125,650	127,064

In the opinion of the directors, the Company's intangible assets are is not impaired.

10 **Stocks**

Stocks comprise:

	2011	2010
	₦'000	₦'000
Finished goods	1,098,905	544,371
Storeroom supplies	5,872,503	2,479,025
Raw materials	2,431,046	2,485,565
Gas and diesel stock	61,925	132,698
Medical and clubhouse supplies	31,851	194
Goods in transit	229,249	250,037
Modernization costs (Note (a))	2,478,056	2,126,134
	12,203,535	8,018,024

(a) Modernization costs comprise inventory items procured by the Company for the purpose of refurbishing, re-starting and improving the productivity of the Smelter plant to the required standards.

11 **Other debtors and Prepayments**

Other debtors and prepayments comprise:

	2011	2010
	₦'000	₦'000
Prepayments	8,931	27,636
Staff debtors	45,459	24,978
Advances to contractors (Note (a))	556,759	428,641
	611,149	481,255

(a) Advances to contractors represent payments made to various vendors for the supply of goods and services.

12 **Due from Related Party**

Due from related party comprise:

	2011	2010
	₦'000	₦'000
RTI LIMITED (Note 23(d))	2,861,825	834,363
	2,861,825	834,363

13 **Creditors and Accruals**

Creditors and accruals comprise:

	2011	2010
	₦'000	₦'000
Accruals	382,936	529,428
Creditors	533,579	162,747
Deferred income (Note (a))	24,939	85,051
	941,454	777,226

(a) Deferred income represents the unearned portion of flat lease rentals paid by third parties for the lease of the Company's housing estates.

14 (a) **Due to Related Parties**

Due to related parties comprise:

	2011	2010
	₦'000	₦'000
DAYSON HOLDING, LIMITED (Note 23(a))	-	12,444
RTI LIMITED (Note 23(d))	707,568	346,640
	707,568	359,084

(b) **Short term loans**

Short term loans comprise:

	2011	2010
	N'000	₦'000
DAYSON HOLDING, LIMITED (Note 23(a))	18,173,266	14,491,059
RUAL LIMITED (Note 23(c))	2,719,758	2,588,645
SEA CHAIKA CORPORATION (Note 23(b))	455,323	433,373
	21,348,347	17,513,077

The loan agreements provide that the loans shall bear no interest, except where the Company fails to fully repay the loan at the maturity date, in which case the Company would be obliged to pay interest on the outstanding amount of the loan at the rate of 2% per annum.

(i) The movement in the loan balances during the year was as follows:

	2011	2010
	₦'000	₦'000
Balance beginning of the year	17,513,077	14,303,813
Loans drawn down during the year	3,042,422	3,537,380
Loan repayment during the year	-	(433,752)
Exchange difference	792,848	105,636
	21,348,347	17,513,077

15 **Provision for end of service benefits**

Provision for end of service benefits comprises:

	2011	2010
	₦'000	₦'000
Provision for end of service benefits	321,840	260,097

(a) The movement on the provision for end of service benefits account was as follows:

	2011	2010
	₦'000	₦'000
Beginning of year	260,097	-
Charge for the year (Note 5(a))	61,743	260,097
End of year	321,840	260,097

16 **Share Capital**

Share capital comprises:

	2011	2010
	N'000	₦'000
Authorised:		
13,613,868,000 ordinary shares of 50k each	6,806,934	6,806,934
Issued and fully paid:		
13,613,868,000 ordinary shares of 50k each	6,806,934	6,806,934

DAYSON HOLDING, LIMITED, a subsidiary of RUSAL Group held 85% of the Company's shares as at year end (2010: 85%). The Federal Government of Nigeria through the Ministry of Finance Incorporated held the remaining 15% of the share capital of the Company.

17 **Share Premium**

The share premium arose from the effect of the shareholding restructuring which took place in 2004. Under the restructuring exercise, all loans and liabilities payable to the Federal Government of Nigeria, Ferrostaal AG and Reynolds International Incorporated were converted into new ordinary shares in the Company. During 2005, Reynolds International Incorporated transferred its shareholding at no cost to the Federal Government of Nigeria. Also in 2006, DAYSON HOLDING, LIMITED, a subsidiary of RUSAL Group acquired 77.5% of the Company's shares. The Federal Government of Nigeria through the Ministry of Finance Incorporated and Ferrostaal AG held the remaining shares – 15% and 7.5% respectively. In 2008, DAYSON HOLDING, LIMITED acquired the 7.5% shares of Ferrostaal AG. The amount in share premium is attributed to the existing shareholders as follows:

	2011	2010
	₦'000	₦'000
DAYSON HOLDING, LIMITED	139,145,383	139,145,383
Ministry of Finance Incorporated	24,555,068	24,555,068
	163,700,451	163,700,451

18 General Reserves

The movement on general reserves is as follows:

	2011	2010
	₦'000	₦'000
Balance, beginning of the year	(164,446,549)	(159,944,069)
Transfer from profit and loss account	(274,250)	(4,502,480)
Balance, end of year	(164,720,799)	(164,446,549)

19 Revaluation Reserves

Revaluation reserves comprise:

	2011	2010
	₦'000	₦'000
Balance, beginning of the year	8,788,078	8,788,078
Balance, end of year	8,788,078	8,788,078

20 Operating loss before working capital changes

Operating loss before working capital changes comprise:

	2011	2010
	₦'000	₦'000
Loss before taxation	(274,250)	(4,502,480)
Adjustments for items not involving movement of cash:		
- Depreciation	1,923,335	1,887,013
- Amortisation of intangible assets	32,137	7,318
- Provision for end of service benefits	61,743	260,097
- Write off of fixed asset	233,618	-
- Exchange difference on short term loan (Note 14 (b) (i))	792,848	105,636
	2,769,431	(2,242,416)

21 Working Capital Changes

Working capital changes comprise:

	2011	2010
	₦'000	₦'000
- (Increase)/decrease in stock	(4,185,511)	882,490
- Increase in other debtors and prepayment	(129,894)	(285,060)
- (Increase)/decrease in due from related party	(2,027,462)	2,727,398
- Increase/(decrease) in creditors and accruals	164,228	(38,755)
- Increase\(Decrease) in due to related parties	348,484	(3,848,367)
	(5,830,155)	(562,294)

22 Contingent Liabilities

At the balance sheet date there were several claims in respect of litigation against the Company amounting to ₦2.62 billion (2010: ₦5.56 billion).

The Company is defending all of the litigation claims vigorously and the directors, based on professional advice are of the opinion that no material loss will result upon the conclusion of the on-going litigations.

23 Related Party Transactions

(a) *DAYSON HOLDING,*

DAYSON HOLDING, LIMITED, a company incorporated in British Virgin Islands, holds 85% of ALSCON's shareholdings. It is the principal investor in ALSCON's shareholding, and as such, it finances the capital and operating expenditure of the Company through loan agreements signed between it and the Company.

It provides the Company with funds for its operations through interest free loans. Based on the loan agreements between ALSCON and DAYSON HOLDING, LIMITED, the latter agreed to make available the total sum of $120.24 million. The loan agreements provide that the loan shall bear no interest, except where the Company fails to fully repay the loan on the maturity date, in which case the Company would be obliged to pay interest on the outstanding amount of the loan at the rate of 2% per annum.

Loans drawn during the year through these agreements amounted to $20.86 million and total amounts due to DAYSON HOLDING, LIMITED as at 31 December 2011 amounted to ₦18.17 billion (2010: ₦14.49 billion). Note 14(b)

(b) *SEA CHAIKA CORPORATION*

On 10 February 2010, a loan agreement was executed between SEA CHAIKA CORPORATION, a Company incorporated in accordance with the laws of Belize, a Country in Central America and ALSCON. Sea Chaika agreed to make available the sum of $2,915,000. The loan agreements provide that the loan shall bear no interest, except where the Company fails to fully repay the loan on the maturity date, in which case the Company would be obliged to pay interest on the outstanding amount of the loan at the rate of 2% per annum. Total amounts due to SEA CHAIKA CORPORATION as at 31 December 2011 amounted to $2,195,000 (₦455 million) (2010: $2,195,000 (₦433 million)) -Note 14(b).

(c) *RUAL LIMITED (RUAL)*

On 26 March 2007, RUAL, a member of the RUSAL Group entered into an agreement with ALSCON wherein it agreed to provide the Company with loan facility amounting to USD 14 million. Total Loan drawdown from RUAL Limited as at 31 December 2011 was ₦2.71 billion ($17.41 million) (2010: ₦2.59 billion ($17.41 million)) Note 14 (b). The loan agreements provides that the loan shall bear no interest, except where the company fails to fully repay the loan on the maturity date, then the Company would be obliged to pay interest on the outstanding amount of the loan at the rate of 2% per annum.

(d) *RTI LIMITED*

RTI LIMITED, a commercial subsidiary of the RUSAL Group is the main supplier of raw materials to ALSCON. It also purchases aluminium ingots produced by ALSCON. As at year end, amounts due to RTI LIMITED for supplies of raw materials was ₦708 million (2010: ₦347 million)- Note 14(a) and amounts due from RTI LIMITED based on the tolling agreement amounted to ₦2.86 billion (2010: ₦0.83 billion)- Note 12.

24 Going Concern

The Company incurred a loss after taxation of ₦0.27 billion for the year ended 31 December 2011 (2010:₦4.5 billion). The loss for the year have principally arisen due to inability of the Company to produce at full capacity as well as high overheads. As a result of the loss for the year, accumulated loss increased to ₦164.72 billion at year end (2010: ₦164.45 billion). In addition, as at year end, the Company's current liabilities exceeded its current assets by ₦7.2 billion (2010: ₦9.1 billion).

The Company is currently producing below normal capacity and presently depends on related parties for finance.

In order to improve the productivity of the Smelter plant to the required standards, management with the support of DAYSON HOLDING, LIMITED have continued to focus efforts in the refurbishment and modernization of the plant.

In addition, the Company continues to receive the support of DAYSON HOLDING, LIMITED and RTI LIMITED and both companies have promised not to call back any of the outstanding amounts due to them until such time that ALSCON is in a position to make repayment.

Based on all these factors, the directors expect ALSCON to continue to realise its assets and settle its obligations in the normal course of business. Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

25 Segment Reporting

The Company presently operates in the Industrial Products sector of the Manufacturing industry, within the tax free zone area. In addition, all the operations are based in Nigeria. As such, the directors are of the opinion that there is no additional information on its segment required to be presented.

26 Prior Year Corresponding Figures

Certain prior year corresponding figures have been reclassified to conform with current year presentation format.

27 Ultimate Holding Company

The ultimate parent company of Aluminium Smelter Company of Nigeria Plc (ALSCON) is the RUSAL GROUP, a company incorporated in Russia.

Value Added Statement

For the year ended 31 December 2011

	2011	%	2010	%
	₦'000		₦'000	
Turnover	3,953,855		4,611,039	
Exceptional item	2,284,802		-	
Brought in materials and services				
- Local	(2,984,556)		(4,795,925)	
- Foreign	(107,732.20)		(604,249)	
Value added by operating activities	3,146,369		(789,135)	
Other Income	103,353		70,247	
Value added	3,249,722	100	(718,888)	100
Distribution:				
To Employees:				
- Salaries and Wages	1,568,500	48	1,889,261	(263)
Retained in the business:				
- Replacement of fixed assets	1,923,335	59	1,887,013	(262)
- Amortization of intangible assets	32,137	1	7,318	(1)
- To deplete reserves	(274,250)	(8)	(4,502,480)	626
	3,249,722	100	(718,888)	100

Five - Year Financial Summary

	2011	2010	2009	2008	2007
	₦'000	₦'000	₦'000	₦'000	₦'000
Turnover	3,953,855	4,611,039	2,510,977	1,302,417	-
Loss before taxation	(274,250)	(4,502,480)	(5,834,314)	(5,790,733)	(107,758,922)
Loss after taxation	(274,250)	(4,502,480)	(5,834,314)	(5,790,733)	(107,758,922)
Assets employed:					
Non current assets	22,122,797	24,215,886	25,986,640	27,400,674	29,395,149
Net current (liabilities)/ assets	(7,226,293)	(9,106,875)	(6,635,246)	(2,214,966)	1,581,292
Non current liabilities	(321,840)	(260,097)	-	-	-
Net assets	14,574,664	14,848,914	19,351,394	25,185,708	30,976,441
Financed by:					
Share capital	6,806,934	6,806,934	6,806,934	6,806,934	6,806,934
Share Premium	163,700,451	163,700,451	163,700,451	163,700,451	163,700,451
General reserves	(164,720,799)	(164,446,549)	(159,944,069)	(154,109,755)	(148,319,022)
Revaluation reserves	8,788,078	8,788,078	8,788,078	8,788,078	8,788,078
Total equity	14,574,664	14,848,914	19,351,394	25,185,708	30,976,441
Loss per share (₦)	(0.02)	(0.33)	(0.43)	(0.43)	(7.92)